Russia under Yeltsin
The limits of political reform
Page 16

Aids and the world economy
The cost reaches $250m a day
Page 14

Wrapping it up
Dutch paper companies look for strength in unity
Page 20

Survey
Chicago
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FT NEWSPAPER OF THE YEAR

FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY DECEMBER 1 1992 — D8523A

UK to admit more Bosnians after German pressure

Britain has offered to shelter an estimated 4,000 people fleeing the former Yugoslav republics, following severe criticism of UK policy towards Bosnian refugees. The announcement was timed to coincide with a meeting in London of EC ministers responsible for immigration, defusing German calls for its EC partners to shoulder more of the refugee burden. Last month Britain said at an Anglo-German summit that it could offer only 150 places. Page 18

Ciga Hotels, luxury international hotel group controlled by the Aga Khan, will unveil a new debt restructuring scheme later this week. Borrowing had risen to L820bn ($568m) by end-June. Page 19

Nuclear safety violations: Automatic safety systems were switched off at a Ukrainian nuclear reactor three times in the past year in violations similar to that which led to the 1986 Chernobyl disaster. Page 18

Yeltsin ban on Communist party upheld:

Russia's highest court reached a compromise verdict in the trial of the Communist party, making symbolic concessions to party supporters but refusing to reverse President Boris Yeltsin's moves to dismantle it after the August coup attempt. The decision by the Constitutional Court, which said Mr Yeltsin (left) was correct to ban the party's top bodies but wrong to dismantle its local cells, enables both sides to claim victory. Page 18

Rise in drugs traffic: The head of the US Drug Enforcement Administration warned of a large increase in illegal narcotics imports into western Europe and said European governments had not properly understood the potential threat. Page 3

Farm protest planned: French agriculture unions expect up to 50,000 farmers at a multinational demonstration in Strasbourg today in protest at proposed cuts in subsidised exports of European farm produce. Page 7

Bang & Olufsen, manufacturer of high quality television and audio equipment, plans to trim costs, cut 400 jobs and reorganise the group to ensure its survival. Page 19

EC-Japan's talks: Japan and the European Commission began two days of talks on the monitoring of Japanese vehicle exports to the European Community in 1993. Page 7

Germans arrest arson suspect: The German authorities arrested a 19-year-old youth on suspicion of causing the arson attack which killed three Turkish citizens in the northern town of Mölln last week. Page 2

SA tightens exchange controls: Pretoria tightened exchange controls in an attempt to curb disinvestments by local companies which have put South Africa's investment currency, the financial rand, under severe pressure. Page 4

PepsiCo, US soft drinks, restaurants and snacks group, is to take a $125m charge against fourth-quarter earnings to cover the restructuring of its domestic beverage business, and "several international operations". Page 21

PWA, parent of Canadian Airlines International, has halted payments to lenders and has sent teams as far as Tokyo to try to sell a full restructuring plan. Page 21

Life for Exxon murderer: Arthur Seale, the New Jersey man charged with the kidnapping and murder of the late Sidney Reso, the president of Exxon's international division, was sentenced to life in prison.

US losses hit Lloyd's: Losses at Lloyd's of London from pollution and industrial diseases in the US could amount to £4.9bn ($7.4bn), according to estimates by a company that analyses the insurance market's results. Page 8

Tsongas suffers cancer relapse: Former US senator Paul Tsongas confirmed he had suffered a relapse in the cancer that forced him to leave the Senate in 1984.

Sunnie Mann dies: Sunnie Mann, wife of former British hostage Jackie Mann, died in a Cyprus hospital aged 78. Her husband was held captive in Lebanon for more than two years.

STOCK MARKET INDICES

FT-SE 100:	2,778.8	(+18.7)
Yield	4.35	
FT-SE Eurotrack 100	1,057.75	(+7.83)
FT-A All-Share	1,313.02	(+0.6%)
Nikkei	17,683.65	(+213.04)
New York lunchtime		
Dow Jones Ind Ave	3,298.25	(+14.05)
S&P Composite	430.61	(+0.45)

US LUNCHTIME RATES

Federal Funds:	3½%
3-mo Treas Bills: Yld	3.332%
Long Bond	100 3/32
Yield	7.606%

LONDON MONEY

3-mo Interbank	7½%	(7 5/16%)
Liffe long gilt future:	Dec 98 11/16	(Dec 99¼)

NORTH SEA OIL (Argus)

Brent 15-day (Jan)	$19.18	(18.975)

Gold

New York Comex (Dec)	$334.3	(334.0)
London	$334.45	(334.05)

STERLING

New York lunchtime:		
$	1.5165	
London:		
$	1.5135	(1.5115)
DM	2.41	(2.415)
FFr	8.19	(8.1925)
SFr	2.175	(2.1775)
Y	188.25	(188)
£ Index	78.5	(78.4)

DOLLAR

New York lunchtime:		
DM	1.5925	
FFr	5.4095	
SFr	1.4345	
Y	124.425	
London:		
DM	1.5935	(1.598)
FFr	5.4125	(5.42)
SFr	1.437	(1.4405)
Y	124.45	(124.35)
$ Index	65.8	(65.9)

Tokyo close Y 124.75

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250
France	FFr8.50	Kuwait	Fils 600	Poland	Zl 22,000	Turkey	L6000
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190	UAE	Dh10.00

US imposes penal duties on 'dumped' steel from Europe

By Nancy Dunne in Washington and David Dodwell in London

THE US yesterday imposed high provisional duties on imports of flat-rolled steel from the UK, France and Italy, contending that their governments had unfairly subsidised domestic steel production.

In all, 12 countries were found by the US Commerce Department to have subsidised their steel producers. Duties ranged from less than 1 per cent to nearly 59 per cent for Italian cold-rolled carbon steel.

The action came in response to the filing of 84 unfair trade complaints by 12 US steel companies in June after multilateral talks failed to produce an agreement to end steel subsidies and dumping.

Rolled steel is produced in sheets and is used extensively in industry in products ranging from washing machines to fighter aircraft.

The US moves come just 10 days after the EC itself imposed duties of between 11 per cent and 30 per cent on steel exporters from Croatia, the Czech and Slovak republics, Hungary and Poland, alleging they too are dumping.

They are certain to aggravate transatlantic trade relations, already inflamed by a five-year dispute over Europe's oilseeds subsidy regime which was settled in Washington just two weeks ago after bringing the US and the EC to the brink of trade war.

It is uncertain whether the steel dispute will put in jeopardy the Uruguay Round of talks on world trade liberalisation, which spluttered back into life in Geneva this week following settlement of the oilseeds dispute. But it highlights the danger that dumping actions are set to become the protectionists' weapon of first choice, potentially destroying many of the gains arising from lower tariffs negotiated under the Uruguay Round.

In yesterday's action, the Commerce Department found a subsidy level of almost 20 per cent on UK carbon steel plate, essentially contending that the privatisation of British Steel had little effect on the cost of steel production. French steel subsidies were found equal to 26.5 per cent of the cost of production.

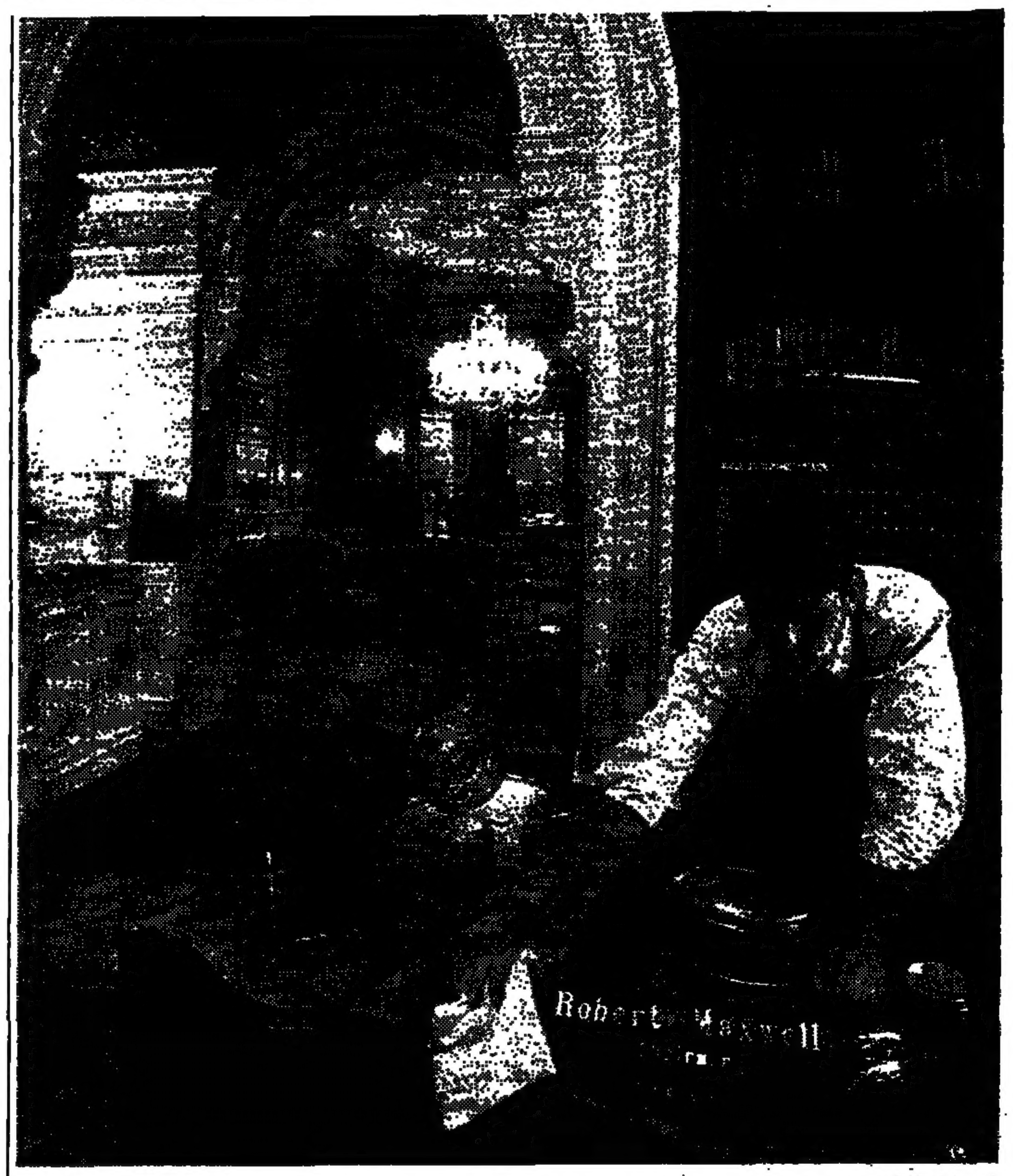
Mrs Ella Krucoff, an EC official in Washington, said "Basically, the Community feels that the US has been using legitimate trade policy instruments to harass foreign competitors and to divert world trade flows. They are not really paying attention to the problems of the domestic steel industry."

Mr Erwin Klein, president of the American Institute for Imported Steel, attacked the duties, saying they would severely harm US motor companies and other steel end-users, and would invite retaliatory trade sanctions by foreign governments. "Restricting steel imports will... pass problems of America's steel industry on to the much larger metalworking segment of our economy," he said.

The Commerce Department, which determines whether foreign steel has been dumped or subsidised, took months longer than usual to reach its decision because of the complexity and huge number of cases. This delayed the subsidy cases until after the November elections and was thought to have removed some of the political pressure on the Bush Administration.

Still greater damage to foreign steel exporters is expected to come on January 27 when the Commerce Department announces its finding on 42 anti-dumping investigations.

In the past five years, the department has found in favour of the US industry on dumping complaints in an overwhelming number of cases.



Ashley Ashwood

Auctioneers prepare for the sale of contents of the late Robert Maxwell's house in Oxfordshire Page 8

China challenges agreements on Hong Kong

By Simon Holberton in Hong Kong

CHINA yesterday delivered an open challenge to Britain's continued administration of Hong Kong when it said it would repudiate all commercial agreements made by the colonial government that were not first agreed with Beijing.

The challenge was immediately rejected by the Hong Kong government, which accused China of violating Anglo-Chinese agreements and its own law for Hong Kong which comes into force after the colony reverts to Chinese sovereignty in June 1997.

The statement by the Hong Kong and Macao Affairs Office was seen in the colony as an attempt by China to undermine confidence in Hong Kong's economy and to defeat proposals by Mr Chris Patten, the governor, for more democratic elections due in 1995.

Yesterday's statement represents a serious escalation in the row which Beijing has linked to London's change in policy towards Hong Kong's democratic development. Analysts in Hong Kong said it also amounted to a bid by China for greater involvement in the colony's administration.

The Hong Kong and Macao Affairs Office of the Chinese government, in a dispatch released through the Xinhua News Agency in Beijing, said that all contracts, leases and agreements signed and ratified by the Hong Kong government would be invalid after June 30 1997 unless they were first approved by China. It added, however, that China encouraged foreign investment in Hong Kong.

In London, the Foreign Office yesterday rejected Beijing's threat, saying it was contrary to the 1990 Basic Law for Hong Kong.

In the absence of a British climbdown on democracy, or the defeat of Mr Patten's proposals on the floor of the local legislature, China's escalating attacks could undermine some large-scale business ventures in energy, communications and trade which are planned for Hong Kong in addition to the colony's HK$175bn ($23bn) airport project.

Hong Kong's financial and business community was last night deeply concerned about the growing rift between London and Beijing and is expected to voice louder calls for Mr Patten to retreat. Liberal politicians said China's behaviour underlined the need for democracy to protect Hong Kong from the arbitrary exercise of power by Beijing.

British and US businesses with interests in Hong Kong, however, were more sanguine about prospects for the colony, indicating that Beijing's threat would have no impact on investment decisions.

Share prices on the Hong Kong stock exchange fell nearly 3 per cent in trading yesterday, although this was largely in response to comments by a senior Chinese official late last week over the validity of the award of land to a consortium to build a container terminal in Hong Kong. The warning from Beijing yesterday came too late to affect the market.

The Hong Kong government responded to China's latest attack by declaring that Beijing was in breach of both the 1984 Sino-British Joint Declaration on Hong Kong's future and the 1990 Basic Law – the colony's post-1997 constitution – drafted by Beijing.

Both documents guarantee the safety of contracts, entered into by the Hong Kong government, after the colony reverts to Chinese sovereignty.

Background, Page 4

Netherlands' top three paper groups agree to merge

By Ronald van de Krol in Amsterdam

THE TOP three paper and packaging companies in the Netherlands are to merge, creating the second largest European paper group after Stora of Sweden.

The merger of KNP, Bührmann-Tetterode and VRG will produce a European paper and packaging company with annual sales of about Fl 12.5bn ($7bn) and a market capitalisation of more than Fl 2.3bn.

The announcement comes as profits of all three companies are under pressure from over-capacity and recession. But Mr Frank de Wit, KNP chairman, said the proposed merger was designed as a way of positioning all three partners for the future.

The new company, as yet unnamed, will be a large European force in packaging and have a wide network for distributing graphic equipment.

Dutch authorities are unlikely to oppose the deal, but the merger partners will also have to inform the European Commission, which has expanded its authority to review mergers and acquisitions. Mr Robert van Oordt, Bührmann chairman and the proposed chairman of the new company, said he did not foresee "big problems" from Brussels.

The link-up will be achieved through an exchange of shares between KNP on the one hand and Bührmann and VRG on the other. Bührmann shareholders will receive one share in the new company for every share they own, while VRG shareholders will receive 0.8 shares for each of their shares. Shares in all three companies rose on the news.

"Shareholders will gain from the quantum leap in the scale of the new group's operations and the consequent strategic and financial benefits without paying a premium," the companies said.

The deal will reduce the group's exposure to the paper business cycle, as the company will purchase three-quarters of its paper needs from outside suppliers.

KNP is mainly a paper and cardboard producer while Bührmann and VRG are primarily involved in the trade and distribution of graphic paper, graphic systems and information systems. Bührmann is also active in packaging.

The three companies already have bilateral links.

Details, Page 20

Rosehaugh property group calls in receiver

By Vanessa Houlder, Property Correspondent, in London

ROSEHAUGH, a prominent UK property developer in the 1980s, yesterday became the latest victim of a downturn in the market which has halved office values in London over the past three years and is expected to result in several billions of pounds of losses for banks operating in the UK.

Rosehaugh owes its banks, led by Barclays, around £350m ($532m).

KPMG Peat Marwick, the accountancy firm, is expected to be appointed today as Rosehaugh's receiver. The company boasted a stock market value of £746m in July 1987, but is now believed to have negative net assets.

Yesterday's development was the final stage in a lingering decline. As huge losses accumulated over the past three years, it became increasingly clear that Rosehaugh had no future. Mr Godfrey Bradman, the company's former chairman and driving force, resigned from the board at

Continued on Page 18
Lex, Page 18
Receivers move in, Page 19

CONTENTS

Paris agrees on Nato role in Eurocorps

By David Buchan in Paris

FRANCE and Germany yesterday told Nato that their planned "Eurocorps" of up to 35,000 soldiers can come under allied command in time of war or peace-keeping emergency.

This signifies a more accommodating stance by France towards Nato, which will be welcomed by the US and other European countries such as Belgium which have said they would attach forces to the Eurocorps provided it had some command link with Nato.

France and Germany yesterday presented a joint memorandum to their partners in Nato, whose ambassadors will discuss it in Brussels tomorrow. The memo is the basis on which Paris and Bonn will negotiate detailed command arrangements with General John Shalikashvili, the US general who is the top Nato commander known as Saceur.

France has agreed that the Eurocorps can come under Nato command, in the case either of a general attack on the alliance or of a decision by Nato governments to dispatch a peace-keeping force outside alliance territory.

"But the condition is Saceur must keep the Eurocorps together as an expression of a European defence identity, and not break up the French and German units and attach them to different formations," said a French official.

By contrast, in peacetime there would be nothing to stop Germany temporarily detaching its units from the Eurocorps for different duties, the official said. In contrast to French forces, German troops come under Nato's integrated military command in peacetime.

France quit Nato's integrated command in 1966, but a year later it agreed that in the event of an attack on the alliance Nato commanders could count on its forces coming under their control.

The US administration of President George Bush bridled earlier this year when France and Germany announced their plan to build their current joint brigade into a full 35,000-strong corps by 1995, without clarifying its link with Nato.

But President-elect Bill Clinton is considered likely to take a more relaxed view of the Eurocorps. Belgium and Spain have sent observers to the Franco-German brigade, which may now attract their participation, once command arrangements have been sorted out with Saceur.

UK remains firm on budget rebate

By Robert Mauthner, Diplomatic Editor

BRITAIN yesterday rejected all attempts to reduce its European Community budget rebate, negotiated in 1984, and made clear that was one subject on which it was not prepared to compromise in the run-up to the EC summit in Edinburgh next month.

"The abatement (worth about £2bn a year) is not an act of charity to Britain," Mr Douglas Hurd, the British foreign secretary, said at a foreign correspondents' lunch in London.

"It is the best answer yet designed to deal with the problem that the Community budget does not operate on a rational basis."

Mr Hurd described the net distribution of revenue and expenditure in the Community as "irrational". The budget still distributed resources from the UK to richer countries.

Agreement on this problem required unanimity, the foreign secretary stressed. "There is no prospect of unanimity on any proposal which challenges the abatement."

Countering the arguments of "Eurosceptics", Mr Hurd emphasised that every "serious" British comment ator saw Britain's future in Europe.

NEWS IN BRIEF

Man detained over killings in Mölln

THE German authorities yesterday announced the arrest of a 19-year-old man on suspicion of causing the arson attack which killed three Turkish citizens in the northern town of Mölln last week, writes **Judy Dempsey in Bonn.**

A woman and two girls died after a fire bomb was thrown into their home, which prompted the authorities to take a much tougher stance against the rise of the far-right. A 25-year-old man, Mr Michael Peters, was arrested last week on suspicion of leading a right-wing terrorist movement.

Mr Alexander von Stahl, the Federal public prosecutor, said yesterday he was also investigating the activities of four other right-wing groups.

Officials are now acutely sensitive to international opinion and growing criticism in the country that they reacted too slowly and *too late to the spate of attacks on foreigners over the past 18* months.

German union moderates claim

Hopes of a return to moderation in German pay deals were given a further lift yesterday as the DAG union accepted that most of its 500,000 members would receive no real increase next year, writes **Christopher Parkes in Frankfurt.** Mr Roland Issen, leader of the white-collar union representing public and private sector staff, said claims for 1993 would range between 4.5 per cent and 6.5 per cent.

The statement, together with last Friday's agreement among leaders of the ÖTV to seek a basic 5 per cent increase for 2.3m public sector workers, *will dampen expectations among other* wage earners and ultimately help reduce inflation.

Greece presents austerity budget

Mr Stefanos Manos, the Greek economy minister, yesterday proposed an austerity budget for 1993, aimed at narrowing the economic gap with the rest of the European Community, writes **Kerin Hope in Athens.**

The budget projects a primary surplus of 5.1 per cent of gross domestic product but calls for heavily increased spending on interest payments to service the public debt. As a result the government borrowing requirement will remain at around 7.9 per cent of GDP for another year. Growth in 1993 is forecast at 2 per cent, while year-on-year inflation should come down from 15.5 to 12.3 per cent, making it possible for Greece to join the ERM early in 1994.

Socialist link in corruption trial

The issue of political corruption in Spain came out into the open yesterday when a brother of the deputy leader of the governing Socialist party faced trial in Seville on fraud charges, writes **Tom Burns in Madrid.** The hearing is the first of several involving Mr Juan Guerra scheduled in the coming months. The cases allege links between his enrichment during the 1980s and his post as private secretary in Seville to his brother, Mr Alfonso Guerra, then deputy prime minister.

Norway cuts its lending rate

Norway's central bank cut its key overnight lending rate to 17 per cent from a six-year high of 25 per cent yesterday after fending off speculators who had bet on an imminent devaluation, **Reuter** reports from Oslo. Economists said fears of renewed turmoil were likely to prevent a cut to 10 per cent – the level in force before Sweden floated its currency on November 19, putting pressure on the Norwegian krone.

Rescuers remove a body from the wreckage of a Dutch National Railways train that crashed near Amsterdam yesterday killing at least five people and injuring 33

Defence of punt hurts Irish businesses

By Tim Coone in Dublin

IRISH farm and industry leaders yesterday criticised the government's policy of defending the punt against devaluation, *as wholesale interest* rates took a sharp upward turn.

The two leading clearing banks both increased their prime overdraft rates yesterday after the central bank increased overnight rates to 100 per cent in its efforts to deter speculators from attacking the Irish currency.

Bank of Ireland, one of the four main clearing banks, doubled overdraft rates for corporate borrowers to 35 per cent. Allied Irish Bank kept its increase to only 6 per cent, but said that any new overdrafts *would attract a rate of 60 per* cent for corporate borrowers.

The Dibor (Dublin interbank offered rate) for one-month funds rose to between 38 and 45 per cent, while one-week funds were being quoted at rates of up to 80 per cent.

Mr Alan Gillis, the president of the influential Irish Farmers' Association, said that the government has "lost control of the economy".

Intense negotiations are underway between the main political parties over the formation of a new coalition after *last week's election in which* Labour emerged as the party holding the balance of power.

"This is no longer a temporary phenomenon and every sector affected will have to voice the most strident criticism of crippling interest rates and the underlying government policy," he said.

Mr Paddy Jordan, the acting director-general of the Confederation of Irish Industry (CII) said that a meeting of "25 to 30" industrial leaders convened last Friday concluded that the present level of the punt against vis-a-vis sterling is "unsustainable". *He said that* although a devaluation was not the only option under consideration "unless costs can be brought sharply down, I don't see any other option. That sentiment prevailed through most of our meeting".

He said: "We are staying in very close touch with the government and with those who may soon be in government."

A number of leading economists are now advocating a devaluation of at least 10 per cent. "Anything less would not convince the markets and would not bring interest rates *down*" *said Mr Dan McLaugh*lin, the chief economist at Riada stockbrokers.

The country's foreign exchange reserves are estimated to have been depleted by around I£2bn ($3.26bn) as a result of market intervention to defend the punt last September, and net current reserves are thought to now stand at around I£1bn.

Panic accuses Milosevic of sabotaging election bid

By Laura Silber in Belgrade

THE third minister in three days yesterday resigned from Yugoslavia's federal government, in an apparent attempt to undermine Mr Milan Panic, the Yugoslav prime minister.

The move appears to have been engineered by Serbian president Slobodan Milosevic, who is known to have close ties with the three cabinet ministers. It seems to be aimed at discrediting the prime minister, whom Serbian nationalists have accused of betraying the country's interests, in the run-up to elections.

Mr Panic is due to announce today whether he will stand against the Serbian president in the elections slated for December 20. He dismissed the resignations as "a transparent attempt by Milosevic to undermine a government of reconciliation and hope, in a frenzied effort to stay in power at all costs".

The ebullient Belgrade-born Californian millionaire has won popularity for promising *to end the war in Bosnia* and lift UN sanctions. He ranks ahead of Mr Milosevic in the latest opinion polls.

Western diplomats say the elections may tip the balance between war and peace in Serbia. Mr Milosevic is widely seen as most responsible for the wars in neighbouring Bosnia and Croatia.

Mr Panic is the only candidate who can seriously challenge the Serbian president. Despite more than a year of war and economic collapse, hastened by sanctions, through his tight grip on state television, Mr Milosevic remains popular.

Belgrade students collected *the 10,000 signatures needed to* put Mr Panic on the ballot just minutes before the midnight deadline on Sunday. He joined a list of candidates which include Mr Vuk Draskovic, an opposition leader, Mr Jezdimir Vasiljevic, a millionaire businessman, and Captain Dragan, a paramilitary leader.

Fighting flared throughout Bosnia-Hercegovina yesterday despite a partial truce agreed by Croat and Serb forces in the *former Yugoslav republic.*

As the United Nations-brokered truce came into force, Serb fighters accused Croats and Moslems of using it to bring in arms and reinforcements. The ceasefire called for an end to cross-border shelling and the withdrawal from Bosnia of the Croatian army. Croatia until Saturday had denied the presence of its regular army units.

The mainly Moslem Bosnian government did not sign the truce. Moslems, the republic's largest ethnic group, control only a few towns, which account for about 10 per cent of Bosnian territory.

Belgrade radio reported *fighting in Orasje, northern* Bosnia, at the Croatian border. Sarajevo radio said Serb forces shelled Olovo, Tesanj and Doboj, northern Bosnia. It also said nearby Gradacac came under heavy shelling and an infantry attack on Sunday night.

Meanwhile in Geneva, a report of the UN Human Rights Commission said Bosnian Serbs were of "primary responsibility for the human tragedy" *in Bosnia-Hercegovina.*

Poison threat high from Montenegrin dam despite repairs

By Frances Williams in Geneva

UNITED Nations officials warned yesterday that the damaged dam in the Yugoslav republic of Montenegro holding back millions of tons of toxic sludge was still very dangerous despite repair efforts. The Danube river system would be at risk if the dam burst.

Work began last Thursday to prevent further erosion of the gravel and shale Mojkovac dam, which was on the verge of collapse after flash floods in mid-October tore away con*crete supports along its base.*

Mr Hans Zimmermann, co-ordinating the emergency repair work at the UN disaster relief agency in Geneva, said yesterday that preliminary work on protecting the base of the 12m-high dam from further erosion had been completed. But "the slightest additional rainfall would aggravate the situation again".

According to a preliminary report an estimated 7m tons of *poisonous sludge from a* now-closed mine contain lead, zinc, copper, iron and sulphur compounds, as well as traces of nickel, cadmium, arsenic and antimony. Analysts also found high levels of zinc in the river Tara just below the dam. The fast-flowing Tara runs via the Drina and Sava rivers into the Danube just above Belgrade.

The report, from the Cantonal Ecotoxicological Service of Geneva, says that if the dam were breached, the river would wash out the toxic elements from the sludge, which has the consistency of sand, carrying them downstream.

All plant and animal life along *the rivers could be poisoned,* and people would have to be protected from contaminated food and drinking water.

Full tests on the sludge analysts brought back to Geneva from their inspection visit on November 15 are expected to take another month.

Mr Zimmermann said yesterday that engineers were building three jetties upstream to lessen water pressure on the dam and dredging a new chan*nel in the river, to stop water* eddying around its base.

Mafia's wages of sin under attack

Asset seizures are spearheading Italy's war on organised crime, writes **Robert Graham**

THE Italian authorities have seized Mafia assets worth L1,900bn ($1.4bn) *so far this year. Of this, all but* L200bn has been seized during the past five months, since Mr Giuliano Amato, the prime minister, took office, according to the Interior Ministry.

The most recent case involved L500bn held in 62 companies, property, bonds and shares and in 200 foreign bank accounts belonging to the Madonia family, one of the most powerful clans in Palermo. Police are still assessing the value of cash and securities in the now frozen accounts.

The sharp increase in the scale of asset seizures is just one aspect of the way the Italian state has finally gone on the offensive against organised crime. "We are no longer defensive; we have gone on to the attack," says Mr Nicola Mancino, the Christian Democrat interior minister.

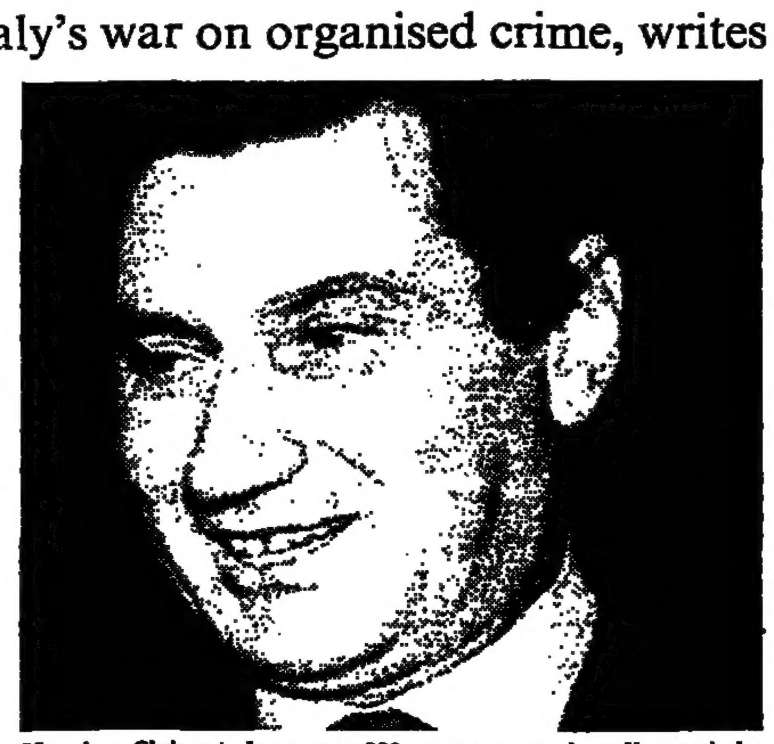
This was begun by Mr Enzo Scotti, his predecessor; but the public outcry over the assassinations of the two leading anti-Mafia magistrates, Giovanni Falcone and Paolo Borsellino, this year has placed the fight against crime at the top of the five-month-old Amato government's agenda. It is perhaps the first time since the Mussolini era that the state has made a concerted effort to combat the Mafia. Government policy has five main elements, according to Mr Mancino: tougher *legislation; a more efficient jus*tice machine; greater police investigative powers; greater attention to attacking Mafia wealth; and increased use of "super-grass" testimony.

The legislation being applied to the Mafia is basically re-directed anti-terrorist policy employed in the 1970s. Police now have great freedom to hold and interrogate Mafia suspects. At the same time, some 160 key Mafia figures have been kept in two high-security isolation jails instead of conducting business freely behind bars in jails near their homes as in the past.

In Sicily itself 7,000 troops have been helping anti-Mafia operations since the summer.

The long-awaited special section of the judiciary dedicated to dealing with the Mafia, which Mr Falcone was due to head, was put in place last month. The new structure should make it more difficult for the Mafia to find "crooked" judges' and court clerks (the latter often prevented cases going before the judges by exploiting bureaucratic loopholes).

Also operative, albeit in start-up phase, is the 1,200-strong investigative/intelligence unit (DIA) based on America's Federal Bureau of Investigation and recruited from the police, Carabinieri and Guardia di Finanze. Poorly co-ordinated intelligence and inter-service rivalries have often played into the Mafia's hands.



Mancino: Claims to have over 200 super-grasses in police custody

The police have become more determined since they have seen politicians turning against the Mafia, the courts more prepared to sentence, and the public readier to co-operate. But the real breakthrough has been as a result of a conscious decision to use the testimony of super-grasses, the *pentiti.* "*We now have over 200 pentiti,*" says Mr Mancino.

"Some have agreed to talk after negotiating while on the run; most are already in prison facing long sentences; and there have been instances of people being moved to talk because they disagree with the tactics adopted in the killing of Falcone." The state is offering both money and protection to these *pentiti* and their families, *including a new life outside* Italy. These are big incentives. It also seems that the violent rise of Toto Riina to head the Cosa Nostra in Sicily, using a dictatorial, as opposed to the traditional consensual, approach, has alienated many and encouraged them to talk.

The emphasis on asset seizures is also new. "We must hit them where it hurts most – in the pocket," says Mr Mancino. It is up to those who have had their assets seized to prove they were legally acquired. If not they are formally confiscated and sold. It remains to be seen who has the courage to buy the assets of a well-known mafioso.

Behind all this lies the beginnings of a potentially explosive investigation into the political cover which the Mafia has always enjoyed. This has been its ultimate strength.

Tommaso Buscetta, Italy's best known *pentito*, last month gave a tantalising foretaste of this shadowy connection which could explain many of the country's mysteries – not least the assassination of Aldo Moro, a former prime minister. Buscetta has chosen to speak now on the Mafia's links with the politicians because he believes their hold can be broken.

Energy plans survive EC row

By David Gardner in Brussels

EUROPEAN Commission plans to open up the EC market in electricity and natural gas survived – just – to be fought over another day, as energy ministers of the 12 yesterday agreed to reconsider this key plank of the Community's single market early next year.

Dutch-led opposition to the Brussels liberalisation plan, originally to have been in place when the single market starts in January, snatched away what the current UK presidency of the EC had identified as one of its most desired trophies.

The Commission proposals aim to open national gas and electricity networks to greater competition from next year, by giving large energy users the right to buy from suppliers anywhere in the EC. This facility would then be extended to smaller energy users from 1996.

Under pressure from Denmark, EC nations also postponed until next year any decision on a proposal to boost competition in oil and gas drilling and exploration. The plan would prohibit governments from giving preference to companies from their own nations in the granting of prospecting and drilling licences.

Until yesterday, ministers had conceded in principle that *national monopoly rights over* energy networks could be diluted if security of supply could be guaranteed.

But the Netherlands, supported by Spain, France, Belgium and Luxembourg, yesterday sought fundamental amendments to the Brussels proposals before discussion went ahead.

The Commission, backed by the UK which has already privatised its gas and electricity companies, received enough support from Denmark, Germany, Ireland and Portugal to allow substantive talks to begin.

The ministers in their conclusions asked Brussels to "consider modifications". That "is not withdrawal or amendment", but looking at things such as transitional periods, UK officials said.

"Nobody could expect to reach a quick or enthusiastic agreement, but there is momentum," claimed EC Energy Commissioner Antonio Cardoso e Cunha.

One UK official described the impasse as the "normal process of negotiation." He likened the energy plans to the Commission's "open skies" drive to liberalise airline transport. These first appeared in 1984, were partly agreed in 1987, but not completed until *last June.*

The Commission has threatened to use its autonomous competition powers to prise open the public energy monopolies if the 12 fail to agree a liberalisation timetable. This threat was also wielded, albeit implicitly, against the flag airline industry.

● The British energy secretary, Mr Timothy Eggar, said a decision could be taken on the proposal during the first half of next year when Denmark holds the EC's rotating presidency, AP adds from Brussels.

Diplomats said Denmark may have vetoed the plan if the other 11 EC nations had tried to push it through. Under EC rules, any member nation can veto a measure it judges harmful to vital national interests. The veto is rarely used.

Norway also opposes the competition plan. Though not an EC member, Norway could *try to block the project* through the terms of a free trade accord which it – and six other non-EC members – signed earlier this year with the Community.

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Governments ignoring threat, warns US law agency chief

Europe facing steep rise in drugs traffic

By Stephen Fidler

THE HEAD of the US Drug Enforcement Administration warned yesterday of a large increase in illegal narcotics imports into western Europe and said European governments had not awoken yet to the threat.

Mr Robert Bonner, administrator of the DEA, told a meeting at the Royal Institute of International Affairs yesterday that the danger was such that western governments should make fighting narcotics a primary foreign policy objective.

"Most of the EC seems oblivious to the fact that western Europe has become a major export market for cocaine," he said. An estimated 200 tonnes of cocaine were exported by the Colombian drugs cartel into Europe last year, most of it undetected, he claimed. However, the surge in trafficking was indicated by a sharp increase in seizures: from 4 tonnes in 1988 to 16 tonnes last year. There was also an increase in the UK in the use of crack, the smokeable form of cocaine.

Much of the cocaine was imported through Spain although the Netherlands, Britain, Italy and Germany all experienced significant imports. Drugs were also coming in "through the back door" via eastern Europe, especially Czechoslovakia and, to a lesser extent, Poland.

"I believe that the time is ripe for a third international conference this century on opium and heroin. The time has never been riper for such a conference," he said. Previous international conferences were held in 1907 and 1912.

The DEA's policy was to apply pressure on the so-called kingpins of the trafficking organisations. However, this strategy was easier to pursue in the case of cocaine, where 80-90 per cent of production was concentrated in Colombia, than in the case of heroin whose production was highly diversified.

Nonetheless, Colombian organisations had moved into heroin production, surpassing traditional suppliers of opium (from which heroin is made) such as Pakistan, Afghanistan and Lebanon, although Burma was responsible for an estimated 50 per cent of output, and Laos was also a big supplier. The Colombians could be expected to use established routes for cocaine to push their heroin.

US Senate under fire as scandal accusations grow

By George Graham in Washington

MEMBERS of the US Congress had hoped that the purgative effects of an election campaign might allow them to make a new start. But just four weeks after the election, the list is already lengthening of members who stand accused of abusing women, alcohol and power.

Over the past year, it has been the House of Representatives which has stood lowest in public esteem, in the wake of scandals over the House's private bank and post office.

Electoral catharsis seems, however, to have had some effect on the lower chamber, where many of the worst abusers of the House bank's loose overdraft practices were voted out. In the Senate, on the other hand, the nightmare appears to be starting over again.

Senator Phil Gramm of Texas, a leading contender for the Republican presidential nomination in 1996, yesterday had to deny suggestions in a New York Times article that he had intervened with federal regulators on behalf of a property developer and savings and loan owner who had billed him only $63,000 for $117,000 of work on his holiday home.

After Senator Brock Adams of Washington state was compelled to retire after allegations of sexual harassment, three other senators now face charges of sexual misconduct, in some cases stretching back over years.

Senator Daniel Inouye of Hawaii won re-election last month after easily shrugging off complaints that he had forced himself on his hairdresser, but charges of a pattern of unwanted sexual advances by Senator Bob Packwood of Oregon only emerged after he had narrowly won his campaign for re-election against former Democratic Representative Les AuCoin.

Senator David Durenberger of Minnesota, meanwhile, gave blood samples a fortnight ago to help determine whether he is the father of a child whose mother claims to have been raped by him in 1963.

The Senate last year gained few admirers for its clumsy handling of sexual harassment charges made by Ms Anita Hill against Mr Clarence Thomas before his confirmation as a Supreme Court justice.

It now risks reinforcing an image of harbouring a nest of ageing libertines – with Senator Packwood suggesting heavy drinking may have been a factor in some of the sexual advances he is alleged to have made. He is seeking alcoholism counselling.

The Senate faces a quandary over what to do about these latest charges. A formal investigation by the ethics committee seems likeliest in the case of Senator Packwood, since three of the women who claim to have been his targets have said they plan to file formal complaints. But, in the interests of party balance, the committee may then feel compelled to take up the case of Democratic Senator Inouye.

Even if the ethics committee decides to step in, it runs the risk of reinforcing the Senate's reputation as a club for insensitive white males with little understanding of the realities of sexual harassment, unless Senate leaders can persuade one of the four newly-elected women senators to serve on that committee.

The four used the issue of the Senate's male insensitivity freely in their election campaigns, but are now reluctant to join either the ethics committee or the judiciary committee, scene of the Thomas-Hill hearings.

So far, Senator-elect Patty Murray of Washington has indicated she would, if forced, serve on ethics, while Senator Dianne Feinstein of California may be press-ganged on to judiciary.

Lima and Caracas head for asylum row

By Joseph Mann in Caracas and Reuters

PERUVIAN President Alberto Fujimori's decision to grant political asylum to 93 Venezuelan rebel soldiers who participated in last week's coup attempt set the stage yesterday for a diplomatic row between the two countries.

Mr Fujimori said late on Sunday he was accepting the men's request for refuge because "we have to preserve ... the security, the life and integrity of these 93 military [men]."

The men, led by air force general Francisco Visconti, fled by air to the Peruvian town of Iquitos shortly after the failed putsch, which left more than 170 people dead and scores more injured.

Venezuelan television broadcast the news from Peru shortly after midnight on Sunday but there was no immediate official reaction.

Venezuela's foreign ministry, which broke off diplomatic relations with Lima earlier this year after Mr Fujimori suspended Peru's Congress, had already asked the Organisation of American States (OAS) to ensure Peru returned the rebels.

Meanwhile, shops, businesses and banks yesterday reopened in Venezuela, as life returned to normal after Friday's failed coup.

However, share prices fell on the Caracas stock exchange, as the dissatisfaction at the government's strict austerity measures, which had fueled the country's second coup attempt in a year, continued to hit investor confidence.

The Central Bank of Venezuela sought to calm the markets by announcing that it would ensure the demand for US dollars was met.

At the same time the government of President Carlos Andres Perez reiterated that nationwide elections for state and local office would be held as scheduled on December 6.

Roughly half of Venezuela's population of about 20m are registered to vote for 22 state governors, 282 mayors, 2,116 members of city councils and 2,376 members of the newly established parish councils.

The government, fearing high abstention, is using the media to encourage people to vote; and officials are stressing that voters should use ballots instead of bullets to change their elected representatives.

In the last state and regional elections, held three years ago, national voter abstention was 54 per cent, reaching a high of 73 per cent in Caracas.

The elections will be important in indicating if many Venezuelans continue to feel alienated from the political system following two military rebellions this year, or whether they will demonstrate some faith in Venezuela's highly criticised democracy.

They should also show whether voters retain their preference for the two establishment parties, Accion Democratica (the government party) and the Christian Democrat Copei Party, or for more militant leftist organisations such as MAS (socialists) and Causa R (an offshoot of the Venezuelan Communist Party).

Meanwhile, the government is continuing its search for military and civilians involved in Friday's uprising. The state security police detained a retired army general, Alberto Muller Rojas, for questioning, and authorities in different parts of the country arrested officers and soldiers trying to leave the country or go into hiding.

Government raids on two state universities uncovered caches of automatic weapons, ammunition and other arms. One hoard of arms was found stashed in a hot dog vendor's wagon.

Peru savours return of global goodwill

AS the official vote count continues, it seems likely that Peruvian congressional elections held on November 22 have been enough to satisfy the Organisation of American States and, by extension, the international community that the country has returned to the democratic fold.

This, in turn, should pave the way for badly-needed foreign funding.

Japan made the swiftest and most enthusiastic response. Just two days after the election a $100m (£65.7m) loan from Tokyo, negotiated in March but frozen in the wake of President Alberto Fujimori's April 5 coup, was signed in Lima. It is assumed another $220m from the InterAmerican Development Bank, involving Japan, will be disbursed when the final OAS report on the elections is published.

The $320m was "a lifesaver", Mr Fujimori said. The credits depend on financial sector reforms, but since the Peruvian government has already carried out essential restructuring with its own resources the money can effectively be spent on anything.

There was also good news from New York. In a lightning visit days before the election, Mr Carlos Bolona, economy minister, managed to convince Peru's commercial creditor banks to suspend possible lawsuits over non-payment of debt.

Mr Bolona and Mr Raymundo Morales, the debt negotiator, are due to start renegotiations with Peru's steering committee in February.

Relations with other multinational organisations are also good. Peru has met, and in some cases exceeded, the quarterly target set by the IMF, and a new programme for the next couple of years is under discussion in Lima. Peru is to apply for an extended fund facility which will effectively clear arrears and open the door to fresh credit.

Back into the fold: a loan pledged by Japan will prove a lifesaver for Peruvian President Alberto Fujimori

Settlement with the IMF also lays the foundation for crucial negotiations early next year with the Paris Club of creditor nations. Peru, which owes $6bn, is the Club's third largest debtor and the largest in Latin America. But Lima managed to win a favourable deal with the Club in September 1991.

Payments to the Paris Club this year were reduced to about $330m and, as with all other external debt quotas, has been honoured. But about $2bn falls due in 1993, which is clearly unpayable without significant rescheduling and some debt forgiveness.

Peru has a tough road ahead, even with its elections over and the increased international goodwill. Predicted GDP growth of 3 per cent this year has turned into a similar deficit. Peruvian per capita GDP is back at 1960 levels; the average family has seen its income dwindle by 27 per cent since 1986.

The 3 per cent growth now forecast for 1993 will, taking population growth into account, translate into a modest 1 per cent improvement. "At this rate," says economist Richard Webb, "it will take a generation to get back to where we were six years ago".

Sally Bowen on the financial benefits of recent elections

Peru's balance of trade deficit for 1993 is also set to worsen. Liberalisation and sharply lower tariffs have provoked a flood of goods from abroad.

Official imports this year will total about $4bn; next year they will be at least 4 per cent higher, partly due to extra expenditure on capital goods tied to various investment projects. Only a slight rise in exports is expected.

Economists are forecasting a current account deficit of about $2.6bn for 1993, similar to this year. To help cover it Peru needs to form another "support group" of friendly countries – the newly-elected Congress has already nominated a group of representatives to accompany key ministers on fund-raising trips abroad. Once again, Japan and the US are expected to be the key contributors, although Peru expects the Clinton administration to attach more strings to future financing than its predecessor.

Mr Bolona, however, seems quietly confident that Peru will win international support. He expects to hold inflation next year to about 30 per cent and promises moderate 1993 reactivation, largely through an increased social spending budget which has earmarked some $500m for small construction and infrastructure projects and job creation.

Public investment is also scheduled to rise from virtually nil to the equivalent of 4 per cent of GDP.

The Bolona team can also expect to count on broad support from the new Congress for ongoing structural reforms including deregulation, further reduction of the heavily-bureaucratised state, relaxation of labour stability laws and accelerated privatisation of state-owned assets.

With the recent blows to Peru's economically debilitating guerrilla movement and a more favourable investment climate, 1993 could just be the year when Peru starts to edge out of stabilisation-induced recession.

Attempt to reach waste deal

By John Barham in Buenos Aires

REPRESENTATIVES from 41 governments are meeting this week in Uruguay to hammer out an agreement on implementing the Basle Convention signed in May this year. The convention restricts trade in toxic wastes, an increasingly controversial trade and environmental issue.

Opening the conference yesterday, Mr Mostafa Tolba, United Nations environment programme executive director, said 300m to 400m tonnes of hazardous waste are produced every year. Although most of the waste is produced, transported and stored in industrialised countries, an increasing amount is shipped to the developing world.

The convention – which took 11 years to negotiate – has met stiff, if discreet resistance from the rich countries. They are apparently wary of establishing export controls and even more suspicious of developing countries' demands for a potentially huge compensation scheme to be underwritten by the industrialised world.

The scheme would be used to compensate victims of environmental disasters caused by toxic stockpiles. Developing countries take in hazardous waste for storage without adequate precautions.

Even if the compensation fund is unlikely to be approved in the shape hoped for by the developing countries, the conference is likely to win approval for a $6.6m two-year budget for a secretariat and training programmes. It is also working on draft legislation to serve as a basis for individual national laws regulating the trade.

Greenpeace, the international environmental group, yesterday claimed the trade in toxic waste has continued increasing since the adoption of the convention in 1989. It said that this year alone, companies in the US and western Europe shipped 74,000 tonnes of waste to 17 developing countries. The environmental group claimed companies shipped waste overseas for recycling, which is permitted by the convention. However the products were eventually dumped, rather than recycled.

NEWS: INTERNATIONAL

Beijing tries to pull mat out from under Patten

Giving confidence a shake is intended to undermine support for reform plans, writes **Simon Holberton**

THE announcement by Beijing yesterday that it would repudiate any business agreement the Hong Kong government enters into without China's consent is designed to do two things.

The first is, in the short term, to undermine confidence in the economy. This will further weaken the support Mr Chris Patten, the governor, enjoys among local politicians and the public for his plans for more democracy in the territory.

In the longer term it is intended to undermine the ability of the Hong Kong government to make agreements with local and foreign businessmen unless Britain is prepared to accept condominium government for the colony before Beijing re-assumes sovereignty in 1997. It is a bid for much closer involvement in the day-to-day government of the colony.

It was this form of shared government that China only partly secured when a year ago it signed a memorandum of understanding with Britain which allowed for the colony's multi-billion dollar airport project to go ahead. This agreement, which for the time being is dead in the water, allowed China a role in approving the finance of the project and any large contracts and business franchises related to it.

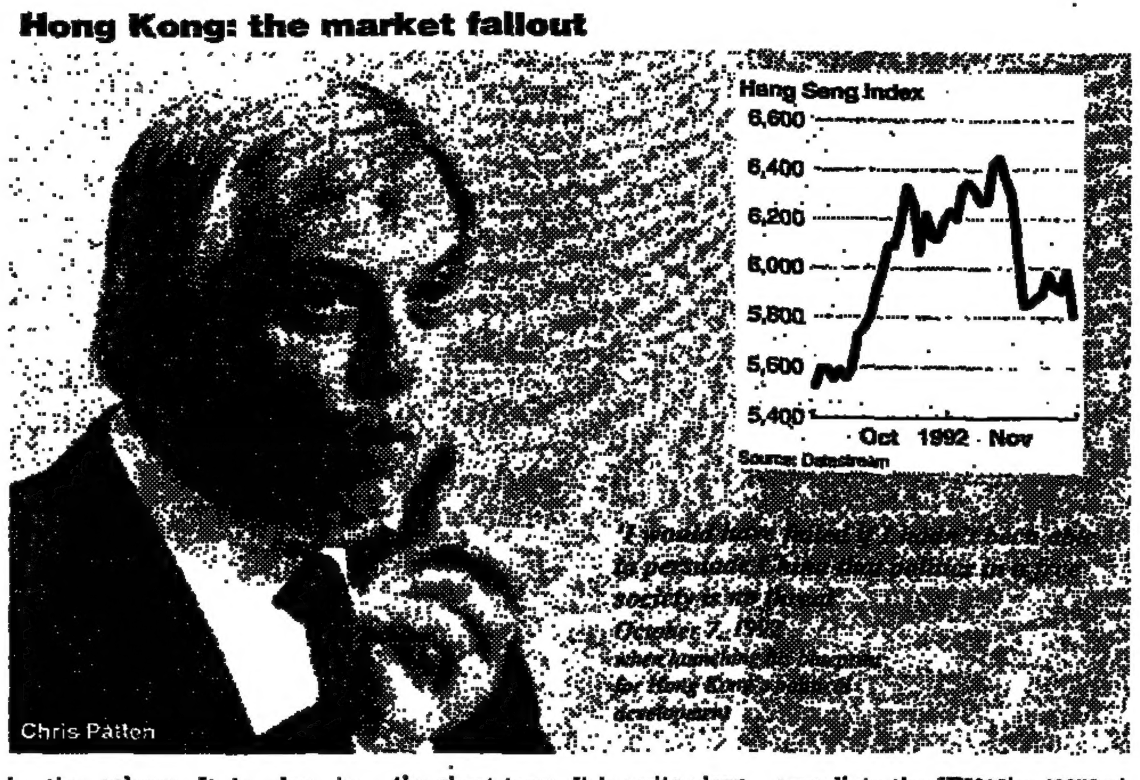
In the immediate term, the warning issued yesterday throws into question the development of the colony's container port, the electricity industry and cable television. It does this, not because the Hong Kong government is unwilling to talk about commercial matters with China – something it already does – but because Beijing is incensed at Mr Patten's plans for further democracy in the territory. These include, by 1995 elections, a broadening of the franchise for the 40 seats out of 60 on the Legislative Council which are not directly elected.

China has made clear – through its surrogates in the colony's media and community – that it is prepared to talk to Britain only if Mr Patten's plans are withdrawn and Britain agrees to conduct elections due in 1995 on China's terms.

Observers say Beijing is making plain to the people of Hong Kong that it will accept only strictly limited democracy in the colony. It is also, in effect, telling them and the British government that it is no longer prepared to talk to Mr Patten. According to one local financier: "China does not care about confidence in the short term. It is quite clear that they want this man [Mr Patten] and they want him out."

The tactics may be crude, but they have been effective. China's threat last week to repudiate the HK$10bn (£850m) development of the colony's ninth container terminal was the chief cause of the near 3 per cent fall in share prices on the Hong Kong stock exchange yesterday.

Hong Kong: the market fallout



Chris Patten

Since early October, when Mr Patten unveiled his proposals, China has waged a daily war in the media against him. Public support for the governor has stood up well, although over the past 10 days there has been a noticeable weakening in favour of compromise with Beijing.

The business community – which at first welcomed his proposals – has been quickest to disown them. Most in business now believe that, given China's intransigence and the reality of its takeover in 1997, Mr Patten has little option but to withdraw his proposals and sue for peace.

China has been robust in its attacks. Chinese officials are quick to remind local businessmen where their loyalties should lie and equally quick to point out that China will remember the position they adopt. These threats have been made to local politicians as well as businessmen sometimes quite openly and in the presence of senior Hong Kong government officials.

The Hong Kong government pointed out, in its response to Beijing's statement, that China was in breach of the 1984 Sino-British Joint Declaration and the Basic Law for Hong Kong, which was promulgated in 1990. Both documents guarantee that any government contracts lawfully entered into would be honoured by Hong Kong's future government.

The government's measured response stressed that Hong Kong, as matter of course, consults China on large scale commercial matters which straddle 1997. But officials pointed out that the business of government would come to a standstill if every agreement, no matter what the size, had first to be approved by Beijing.

Last night the government gave every indication that it would press ahead on the course Mr Patten has chartered. The destination is the local legislature in the New Year when Mr Patten has undertaken to present legislation.

A vote is expected in the spring, probably in April or May, after the budget. Analysts said yesterday that they expected the Legislative Council to try to modify Mr Patten's proposals in an attempt to accommodate China, although they had little confidence that Beijing would welcome such action.

UK rejects Chinese veto over projects

By Robert Mauthner, Diplomatic Editor

BRITAIN yesterday acted swiftly to reject a warning by China that it had the right to veto all long-term projects and contracts in Hong Kong after the colony reverts to Chinese sovereignty in 1997.

In the latest of the increasingly acrimonious exchanges between the two countries on the colony's future, the Foreign Office said Beijing's threat was contrary to the 1990 Basic Law for Hong Kong.

Under the Basic Law, Hong Kong's future mini-constitution, "contracts which are valid under Hong Kong's existing laws will continue to be valid and protected...after 1997," the Foreign Office statement said. The statement was in response to China's claim that any government contracts not expressly approved by Beijing, except for "the provisions on land leases", would expire with British sovereignty over the colony.

Earlier yesterday, Foreign Office Minister Alastair Goodlad, called in Ma Yuzhen, the Chinese ambassador in London, to express the UK government's "surprise and concern" at other complaints by Chinese officials last week over a projected ship container terminal in Hong Kong.

Mr Goodlad said Beijing's charge that the Hong Kong government had failed to consult China in the Joint Liaison Group (JLG) before announcing a grant for the colony's ninth container terminal was inaccurate.

There was no requirement for such consultation in the JLG since it was a land grant and not a franchise, Mr Goodlad told the ambassador. On the other hand, consultations had been held in a separate body, the Sino-British Land Commission, and the land grant for the terminal had been approved by the Chinese on March 20.

He stressed that there had already been eight other terminals for which a similar procedure had been followed and the Chinese had raised no complaints.

Britain is also involved in a running battle with Peking over the funding of Hong Kong's multi-billion pound new airport project, which also risks being cancelled if China carries out its veto threat after the colony's handover in 1997. Contracts not completed by then could be at risk.

It is clear, however, that all these economic disputes are rooted in Peking's bitter opposition to Mr Patten's democratic reforms. Though very limited by normal western standards, these reforms are clearly seen by the present Chinese government as the thin end of the wedge, leading to a form of self-government entirely alien to its communist philosophy.

Company chiefs expect dispute to be resolved with a compromise

US shrugs off Hong Kong scuffle

By Alan Friedman, Karen Zagor and Nikki Tait in New York

MOST of the biggest US companies doing business in Hong Kong yesterday shrugged off the diplomatic scuffle between London and Beijing as unlikely to affect their investment plans.

According to the Hong Kong economic and trade office in New York, US direct foreign investment in the colony totals about $8bn (£5.2bn). The territory is the third most important US investment destination in Asia, after Japan and Australia.

At Amoco, the fifth largest US energy group that has its regional Asian headquarters for chemical operations in Hong Kong, Mr Martin Pranga, manager of foreign affairs, said he was confident matters would be sorted out, and dismissed the row as "much ado about nothing."

Mr Pranga, who had just returned to Chicago from a visit to Hong Kong, said the row "seems more to do with domestic politics in the UK, namely Mr Patten's future in British politics, than with Hong Kong. The British foreign office is at the last minute trying to be remembered by history as having done the right thing, having previously abdicated responsibility. The business community in Hong Kong wishes it would die down because it anticipates doing business with the mainland.

"This is one of the ups and downs to be expected and will be settled eventually with a compromise."

Citibank, the leading US bank with 27 branches in Hong Kong, has 2,200 employees there and is active in investment banking, commercial, consumer and private banking. Although the bank declined an official comment, insiders at the bank said they were unconcerned at the London-Beijing row and saw "tremendous opportunities" in their future business in Hong Kong.

Mr Ronald Harber, vice president for Asia at Minnesota Mining & Manufacturing (3M), said he was not worried.

"I think basically it's business as usual. We don't foresee problems. We're entering into contracts that extend beyond 1997 with full confidence that they will be honoured beyond that date. From a practical standpoint, I don't seen any reason for concern."

Mr Paul Sacks, president of Multinational Strategies, a New York-based political risk analysis consultancy, doubted the latest turn of events would make US companies change their Hong Kong investment plans.

"I think most people have already discounted the effects of the transition. I do not anticipate any dramatic reaction on the part of US investors."

Seen from the US point of view, the row between London and Beijing "is merely the beginning of the face-off between an existing colonial power and the new landlord," said Mr Sacks, who advises a number of US banks and companies. Most American businessmen understood that "the realities are that the Chinese want this process of democratisation not to proceed and will use any number of bargaining chips."

Among US companies active in Hong Kong is Exxon, which holds a 60 per cent interest in an electric power generating facility from which it supplies its partner, China Light and Power. Exxon, which earned US$193m (£127m) from this activity after tax last year, said it did not expect the events to change its investment plans.

United Airlines, one of two big US carriers flying into Hong Kong, said the Chinese would want to keep Hong Kong as a viable commercial centre.

Mr Alex Fong, director of the Hong Kong economic and trade office in New York, said the economic fundamentals were "so strong" that the political row would be seen mainly as "noises and rhetoric."

CHINA'S decision to link Hong Kong's political development with the colony's economic administration puts at risk hundreds of millions of dollars of planned investments, Simon Holberton writes.

While China said it continued to welcome foreign investment in Hong Kong, it has also indicated it will not talk to the colonial government until it withdraws plans to broaden democracy in Hong Kong.

Some of the major projects which could be threatened if Britain and China are unable to agree are:

● Black Point power station: a development planned by China Light and Power (CLP), monopoly supplier of electricity to Kowloon and the New Territories, and Exxon, the US oil company. It would have generating capacity of 6000MW and is expected to require investment of around HK$60bn (£5bn). China has agreed the extension of CLP's monopoly until well into the next century, but has yet to agree a grant of land upon which the plant will be built.

● Container Terminal 9, (CT9): the development of Hong Kong's container port to enlarge its capacity. Investment is expected to be about HK$9bn. China has approved the grant of land for CT9 but last week claimed it should also have a say in how the government negotiated disposal of the land.

● Cable television: Wharf, the company of the late Sir Y K Pao, has emerged as the only serious bidder for an exclusive franchise to operate Hong Kong's first cable TV service. China's agreement will be necessary if the government accepts Wharf's proposal, which is estimated to require about HK$5bn in investment.

● Hongkong Telecom: this company, which is majority-owned by Britain's Cable and Wireless, has an exclusive franchise to operate Hong Kong's domestic fixed wire telecommunications network.

The government wants to introduce competition into domestic Hong Kong telecommunications and renew Hongkong Telecom's licence when it falls due in 1993 – both need China's approval. Hongkong Telecom's monopoly on international telephony has already been agreed with China and is assured until 2006.

WHERE TWO SIDES DIFFER OVER BASIC LAW

The Hong Kong government last night said China was in breach of the 1984 Joint Declaration on Hong Kong and its own Basic Law for Hong Kong after 1997. The Joint Declaration provides for the continuance of current Hong Kong law after 1997, of which the British law of contract is part.

The Basic Law, which was promulgated by China's National People's Congress, or parliament, in April 1990 is specific in regard to contracts.

Article 160 says: "Documents, certificates, contracts, and rights and obligations valid under the laws previously in force in Hong Kong shall continue to be valid and be recognised and protected by the Hong Kong Special Administrative Region, provided that they do not contravene this Law."

China has said that the Basic Law cannot be amended before Hong Kong reverts to Chinese sovereignty in 1997.

Companies with British links relaxed about impact of row

By Andrew Taylor and John Gapper

HONG KONG companies with British parents or with traditional British links remain relaxed about the impact on business prospects of the row over the future of Hong Kong.

Sir Charles Powell, a director of trading group Jardine Matheson and former foreign policy adviser to Mr John Major and Mrs Thatcher, said: "We have been operating in China and Hong Kong for 160 years, so tend to take the long view in these kinds of matters.

"We believe these short-term difficulties will be resolved and remain extremely optimistic about economic prospects for China and Hong Kong."

Sir Charles said Jardine supported the efforts of Mr Chris Patten, Hong Kong's governor, to promote greater democracy. The group, however, believed this could only be pursued in agreement with China.

"It is Hong Kong's and China's best interests that these differences are resolved," said Sir Charles.

Peninsular and Oriental Steam Navigation (P&O) has operated for 125 years in Hong Kong where it has shipping and construction interests. The group said: "We view the western rim of Pacific, with Hong Kong as a hub, as an area of great economic growth.

"Lord Sterling, our chairman, has recently returned from a very positive visit to Beijing which has reaffirmed our commitment to the region. Our shares are listed in Hong Kong and we are in the process of increasing our investment in the area. We are confident in the future for trade with Beijing and Hong Kong."

Costain, the UK construction group, is part of a consortium of Japanese, US and European companies which yesterday formally were awarded a HK$9bn (£768.5m) contract to carry out reclamation and site preparation for Hong Kong's Chek Lap Kok airport.

Mr Wob Gerretsen, Costain director responsible for UK and international contracting operations said: "There is little concern on our part as all of our work will have been completed and paid for by 1997."

Logica, the largest UK-owned software house, developed the Hong Kong Stock Exchange's computerised trading system and maintains an office of some 50 people there.

Mr Colin Rowland, director of international operations, said the political row was not good for confidence either for prospective customers or the company itself.

Banks with large investments in Hong Kong reacted cautiously to the dispute. Hongkong and Shanghai Bank said it would not change investment decisions as a result of China's statement because it saw it as part of a continuing war of words.

It said banks were more influenced by China's $12bn (£7.8bn) investment in airlines, power generation and hotels in Hong Kong through the Chinese International Trust and Investment Corporation, and Bank of China.

Hongkong and Shanghai and Standard Chartered are among the largest investors in Hong Kong. Standard Chartered said it could not comment, but is thought to be taking similar view of China's statement to Hongkong and Shanghai.

Japan's bank lending growth slows

By Charles Leadbeater in Tokyo

THE weakened state of the Japanese economy was underlined yesterday by figures showing that commercial bank lending rose by just 2.4 per cent in the three months to September from a year earlier.

The economy, which faces a combination of financial contraction and industrial retrenchment, is still mired in a downturn partly because the reduction by manufacturing industry of inventories of unsold products has slowed recently, the Bank of Japan's monthly bulletin warns.

Recent sharp cuts in industrial investment and production were reflected in a 0.1 per cent increase in bank lending to manufacturers in the third quarter. The growth in lending to the non-manufacturing sector slowed to 2 per cent in the quarter. The rise in business with non-manufacturers was mainly accounted for by strong lending to service sector companies and the construction sector, which is being boosted by government public works programmes.

Bank deposits contracted in September by 4.6 per cent, with corporate deposits down 9.1 per cent. This was the 15th month in succession that bank deposits have fallen.

The banks are trying to raise their profitability partly by offering fewer savings accounts on which they have to pay high rates of interest to savers. As a result individual savers are shifting their funds into the postal savings system which offers better returns, while companies have been running down their cash reserves to fund their working capital requirements rather than borrow more.

Construction orders for the top 50 Japanese contractors in October fell by 7.3 per cent from a year before to Y1,587bn (£8.4bn). An 18.3 per cent increase in civil engineering orders, fuelled by the public works programmes failed to offset an 18.7 per cent fall in private sector construction orders mainly from companies.

Housing starts rose by 10.3 per cent last month from a year before, the fifth successive monthly increase. The pick-up reflects a sharp decline in urban land prices and cheaper housing loans which have made home-ownership more affordable.

The three opposition parties, the Social Democratic party, Komeito and the Democratic Socialist party, yesterday called for a Y2,000bn tax cut in next year's budget to revive the economy by boosting consumption.

The ruling Liberal Democratic party's key taxation committees started discussion of the budget yesterday as the Ministry of Finance reported tax revenues so far this year were 4.3 per cent down on the same period last year.

Favourable response expected at Paris meeting

Zimbabwe seeks further aid pledges

By Tony Hawkins in Harare

THE government of Zimbabwe, battered by the worst drought in living memory, today meets consultative group donors in Paris to seek further help for its structural adjustment programme.

A broadly favourable response from the World Bank-chaired meeting is likely. Implementation of the five-year programme, now nearing the end of its second year, is broadly on target, despite unsatisfactory progress on public sector and institutional reform.

The drought is taking a heavy toll, however. Macro-economic performance has fallen well short of targets. Farm production is estimated to have fallen by more than a third, while official forecasts point to a 10 per cent decline in real GDP, the worst recession in 60 years.

Inflation, which peaked in the third quarter this year at 48 per cent, is also way ahead of expectations. Over the three years to 1993 a cumulative current account balance of payments deficit of some $2bn (£1.3bn) is forecast, double the original programme target.

As a result, Zimbabwe's foreign debt will rise to over $3.9bn next year, or 75 per cent of GDP, while the debt service ratio will reach 28 per cent of exports.

In a paper prepared for the donors, the World Bank says Zimbabwe will need $1.4bn in external aid next year, and $3.2bn over the three years to 1995. In addition to substantial lending by the multilaterals (IMF, World Bank and African Development Bank) "large inputs are also needed from bilateral donors and commercial banks".

Of the $1.4bn for next year, $910m will come from existing commitments – $144m from the IMF; $179m from the World Bank, $213m from the ADB; and $246m in grants and bilateral loans.

New grant commitments of $200m and new bilaterals loans of $150m are being sought at the Paris meeting. Donor response is likely to be positive, despite mounting demands on a near stagnant pool of foreign aid. For its part, the Zimbabwe government will come under pressure to improve its performance, especially on civil service reform and privatisation, fiscal management and the deregulation of investment.

Li Peng (left), the first Chinese prime minister to visit Hanoi in 21 years, talks with Vo Van Kiet, his Vietnamese counterpart in Hanoi yesterday. Li tried to calm Vietnamese fears by insisting Beijing had no expansionist plans in the region. The two countries normalised relations in November 1991 after more than a decade of hostility.

India may delay job reforms

By Stefan Wagstyl in New Delhi

THE INDIAN government is considering whether to delay long-awaited reforms to increase employers' rights to sack workers following strong union protests.

The government had been expected to announce a new employment policy before the end of this year as part of the economic liberalisation programme launched in 1991.

However, Mr Manmohan Singh, finance minister, suggested in a speech yesterday that it would be at least a year before the government could implement such a controversial move because of fierce union criticism.

"In a year's time, labour's attitudes will change and then we can change provisions in labour laws," he told a conference organised by the World Economic Forum, an international research organisation.

Mr Singh was speaking after hundreds of thousands of workers demonstrated in Delhi last week against reforms which trade union leaders claim would lead to mass redundancies.

The government had never published details of its plans but it was widely expected that employers would be given the freedom to dismiss workers from loss-making enterprises. This has been almost impossible for large businesses under current legislation.

Australian deficit worsens

By Kevin Brown in Sydney

THE Australian dollar fell more than half a cent to 68.3 US cents yesterday after the release of balance of payments figures showing a significant deterioration in the current account deficit in October.

The government said the unadjusted deficit was just over A$2bn (£903m), compared to A$1.7bn in September. The seasonally adjusted deficit rose by 19 per cent to A$1.8bn, the highest since January 1990.

The trend estimate, which irons out swings in the seasonally adjusted figures, increased by 5 per cent to A$1.5bn. This was the highest since March 1990, and the ninth successive monthly rise.

The main cause of the deficit's rise was an 11 per cent fall in exports, which was only partly offset by a 4 per cent import fall. The underlying import trend was a record high for the second month running.

A 13 per cent devaluation of the trade weighted value of the Australian dollar over the last 12 months appears to be having little impact on exports.

Correction

Shimon Peres

A photograph of Mr Shimon Peres, Israeli foreign minister, was incorrectly identified in the Financial Times of November 27.

Khmer Rouge sets up new party

By Victor Mallet in Phnom Penh

THE leftist Khmer Rouge guerrilla group yesterday announced the formation of a new Cambodian political party which it said could participate in UN-sponsored elections next year if Khmer Rouge conditions were met.

The Khmer Rouge has repeatedly violated a ceasefire and refused to take part in the elections. It has reaffirmed its opposition to the way the UN is implementing the Cambodian peace plan agreed by all parties last year.

A statement from Khmer Rouge headquarters in Pailin on the Thai border, issued in Phnom Penh, said the new party was called the National Unity of Cambodia party.

The main condition for the party's participation in the election scheduled for May is the same as the one previously adopted for the Khmer Rouge – the withdrawal of Vietnamese troops from Cambodia. Vietnam says they were withdrawn in 1989 and the UN says it has no evidence of Vietnamese troops inside Cambodia.

Mr Khieu Samphan was named leader of the new party; he is also leader of the party of democratic Kampuchea as the Khmer Rouge is officially known.

The latest Khmer Rouge announcement is likely to be seen as a further attempt to play for time. UN officials are struggling to organise an election, which will exclude Khmer Rouge areas and take place with tens of thousands of men from the four main factions still under arms.

Under the peace accord, most guerrillas and troops were supposed to be regrouped and disarmed before the election, but the Khmer Rouge has refused UN forces access to its territory and the disarmament process has stalled.

Khmer Rouge guerrillas are disrupting UN efforts to register Cambodian voters, intimidating Cambodians and the UN electoral officials themselves.

Pretoria acts on exchange control curbs

By Patti Waldmeir in Johannesburg

SOUTH Africa has tightened exchange control regulations in an attempt to curb disinvestments by local companies which have put South Africa's investment currency, the financial rand, under severe pressure in recent weeks.

Mr Derek Keys, the finance minister, said South African companies wishing to invest abroad would have to finance their investments by raising loans overseas – rather than by using the financial rand – unless the investment was "of immediate benefit to the country". Such loans would have to be serviced from income generated by the new investment.

The move comes after a surge in investments abroad by South African companies, including large investments by the country's two forest products groups, Sappi and Mondi, acquisitions by First National Bank and the proposed takeover of Del Monte Foods International by the Royal Group and Anglo American.

Mr Keys said deals already approved by the central bank would have to be financed overseas, with arrangements made to stagger repayments.

The impact of these investment outflows probably explains the recent weakening in the financial rand, the investment currency for foreigners investing in South Africa and South Africans investing abroad. The discount between the commercial and financial rands rose as a result to a high of 46 per cent when Royal announced its proposed Del Monte acquisition, after narrowing to a low of 7 per cent in 1991 when political sentiment was positive towards South Africa.

FRESH CURBS: Pressure on the financial rand has forced finance minister David Keys to curb investment overseas

Golf club murders blamed on PAC

POLICE said yesterday the Azanian People's Liberation Army, armed wing of the radical Pan Africanist Congress (PAC), had claimed responsibility for the weekend golf club attack in which four white South Africans were killed, agencies report from Johannesburg.

The PAC said it could neither confirm nor deny its army was involved, but said many South Africans believed political violence would be treated more seriously if it spilled over into white areas.

The PAC, which broke away from the ANC in 1959, has rejected demands it follow its lead and suspend armed struggle against white rule.

The ANC condemned the attack as an "outrageous act of naked terrorism."

At least 26 blacks have been killed in political violence since Friday and the toll amounts to more than 7,000 since February 1990.

Philip Gawith on radical proposals for tariff reform and a move to developing country status

South Africa drafts a plan for post-apartheid trade

THE bland title conceals a radical blueprint. Yet a document entitled "Integrated Normative Economic Model" may help shape the economic future of South Africa.

It contains what is effectively the government's draft structural adjustment programme, and in a recent speech Mr Stef Naude, the director general of the Department of Trade and Industry, gave a glimpse of what the government envisages will be the main components of a post-apartheid trade policy.

Aside from the most detailed account to date of how the government proposes to tackle tariff reform, Mr Naude touched on two matters likely to evince considerable discussion: the proposal that South Africa should seek developing country status, and the first public notification of government dissatisfaction with the functioning of the Southern African Customs Union (SACU).

Mr Naude stressed he was putting forward proposals, not making unilateral policy announcements. He noted: "We've got to manage restructuring very carefully because of the political changes taking place. Because of the unemployment, we have to be careful with how much blood we spill on the floor."

The idea that South Africa should seek developing country status is not new. Earlier this year the Overseas Development Institute in London published a document, "Trading with South Africa", which considered six future trading regimes for South Africa, five of which assumed developing country status.

Gatt obliges developed countries to grant trade preferences to developing countries.

As South Africa can reclassify unilaterally, the issue is more whether its main trade partners, such as the EC and US, would recognise it as a developing country.

The evidence is mixed. World Bank figures suggest that with a GNP per capita in 1990 of $2,530 and a share of industry in GDP of 44 per cent South Africa is an "upper middle income" country.

As the ODI report notes, however, it is a much poorer developing economy by various trade and development criteria. Its exports are still heavily oriented towards commodities and the five principal exports account for 46 per cent of the total compared to 30-35 per cent for developing countries. In terms of UNDP's Human Development Index, South Africa ranks well below countries such as Brazil and Venezuela which have similar per capital GDPs.

How much South Africa would benefit from preferential trade regimes is a moot point. Dr Erich Leistner of the Africa Institute in Pretoria argues that to take developing country status is to accept a lowering of status. "We are more likely to get sympathy and support if we show that we are efficiently run and not just one more country begging for western support." The ODI study also concludes that, for example, less than 20 per cent of the country's exports to the EC would benefit from standard trade preferences because barriers to metals and minerals exports, South Africa's main exports to the EC, are already low.

Dissatisfaction with SACU has long been evident in government circles, but Mr Naude is the first senior government official to broach the subject publicly. He said it had two main problems which effectively crippled its potential to serve as a vehicle for regional integration. First, "on the present formula (of revenue sharing) the massive and rapidly growing payments to our partners are becoming unaffordably high to us." He said South Africa would be paying R3.06bn to the other members – Botswana, Lesotho, Swaziland and Namibia – in the 1992-93 financial year. "Ultimately South Africa retained 43 per cent of the pool to which it contributes more than 90 per cent."

He also suggested that diverging industrial policies regarding protection levels, and different degrees of development, would "increasingly strain the relations within SACU". South Africa has already given notice that the structure of SACU will have to be re-examined.

On tariff reform, the accent, Mr Naude stresses, is on combating inflation and promoting competitiveness – the government is not interested in subsidising industries which don't have the potential to succeed independently. Nor does it intend throwing industries to the wolves where careful nurturing could see them through to health.

Other principles enunciated include: tariffs will not be used as a fiscal instrument; tariff increases to promote specific increases will generally be for limited periods only; formula duties will be phased out; regular tariff adjustments will be avoided; tariff reductions in terms of South Africa's offer to Gatt – currently being revised – will be phased in over five to 10 years.

The rationale underlying these reforms is simple. The sanctions years, which placed a premium on import substitution and self-sufficiency, are largely over. Now, says Mr Naude, "future wealth increasingly will have to be derived from penetration into export markets. Trade and industrial policy thus needs to focus on the improvement of competitiveness in support of export-driven growth ..."

Tokyo officials claim Brussels seeking cut in exports to EC

EC-Japanese talks open on vehicle sales

JAPAN and the European Commission yesterday began two days of talks on the monitoring of Japanese vehicle exports to the European Community in 1993, Reuter reports from Tokyo.

An EC spokesman in Tokyo declined to comment on Japanese officials' earlier expectations that the Commission would seek a cut in Japan's vehicle exports to the Community next year from an estimated 1,185,000 in 1992 because of weak EC demand.

He also declined to comment on Japanese media reports that the Commission might suggest taking into account Japanese local production in Europe when setting the monitoring target for Japanese exports.

Mr Yuji Tanahashi, vice-minister for international trade and industry, told a news conference that Japan intended to monitor exports only. Last April, Japan agreed to cut its new car exports to the Community over the year by about 6 per cent from 1.26m in 1991.

The concept of "monitoring" has received conflicting interpretations since a broader understanding on Japanese new car sales in the Community was reached in July last year. This agreement was intended to govern the level of direct Japanese exports to the EC until the end of 1999.

The accord spelled out procedures to operate for a seven-year transition period between the creation of the EC single market from the beginning of 1993 and the throwing open of the EC market to unrestricted competition from Japanese cars.

It is meant to give the European car industry time to complete painful restructuring to make it more competitive internationally.

The published part of the agreement included a Japanese promise to monitor exports to the EC market as a whole in accordance with a forecast level of exports in 1999 of 1.23m (cars and light commercial vehicles) based on the assumption of demand in the EC in 1999 of 15.1m.

China deal for Jones & Shipman

JONES & Shipman, one of the UK's three remaining publicly quoted machine tool companies, has won a $750,000 (£493,400) order from Wuxi Engine Works of China for a purpose-built honing machine and a CNC production cylindrical grinding machine, writes Andrew Baxter.

The deal is a boost for the UK machine tool industry's morale, which has been dented by the Matrix Churchill affair and the recession.

The Wuxi Engine Works, of Jiangsu province, is one of China's leading turbocharger and industrial diesel engine manufacturers.

Hills to press Taipei on trade

Mrs Carla Hills, US trade representative, arrived in Taiwan yesterday, the first cabinet-level US official to visit since Washington switched diplomatic recognition from Taipei to Beijing in 1979, Reuter reports from Taipei.

She is expected to press Taiwan to widen import markets and offer contracts – under Taipei's six-year, $300bn (£197.3bn) development plan – to US companies.

Agriculture minister Ignaz Kiechle: warning defied by German farmers

Thousands likely in Strasbourg demo against EC-US deal

Big farm protest planned

By William Dawkins in Paris

FRENCH agriculture unions are expecting up to 50,000 farmers at a multinational demonstration in Strasbourg today in protest at the cuts in subsidised exports of European farm produce proposed in the Gatt accord with the US.

The FNSEA, France's main farm group, said 8,000 German farmers would join the demonstration, in defiance of a warning to the DBV German farmers' federation by Mr Ignaz Kiechle, German agriculture minister, not to support France's threat to veto the deal.

There have been farm demonstrations against the Gatt deal in Belgium, the Netherlands, Spain and Germany in recent weeks. But the French government has attracted only moderate official support from its EC partners, despite a diplomatic campaign to pull its allies into line. Today's demonstration will provide a clearer measure of international solidarity for French farmers, around 30,000 of whom are expected to be there.

The presence of German farmers is unlikely to deflect Chancellor Helmut Kohl's discreet attempts to encourage his main EC ally, France, to compromise on Gatt. This is likely to be discussed at Friday's Franco-German summit in Bonn. Failing agreement by next Saturday, the US has promised to set 200 per cent import duties on $300m worth of EC farm exports, 42 per cent of them from France.

Delegations are expected from all EC member states and from farm unions outside the Community, to make a general protest against the Gatt and US trade policies. They include Canadians, Swiss, Scandinavians and a delegation from the Zenchu Japanese farm co-operative, angered at US rice growers' efforts to gain access to their protected market.

Mr Pierre Bérégovoy, French prime minister, has pleaded with farmers not to repeat the violence of their last demonstration in the capital last week. "Pictures of violence broadcast across the whole world harm our products and France.... Do not play with fire," he warned in a recent newspaper interview.

Local authorities in Strasbourg have taken elaborate steps to head off trouble. They have removed street signs to stop farmers finding the European parliament, ensured that their route avoids the US consulate and other US buildings, cleared parked cars and closed nearby junior schools for the day.

Puerto Rico's fears about Nafta eased

By Canute James in Kingston

PUERTO RICAN fears that the island's export markets in the US will be damaged by Mexico's participation in the North American Free Trade Agreement (Nafta) have been eased significantly.

Instead, there are clear indications that the impending trade pact could bring significant benefit to the island.

Puerto Rico sold goods to the US last year valued at about $17bn (£11.1bn), accounting for 85 per cent of its total exports. But government officials and economists in the US Caribbean possession had feared that earnings would be reduced because of direct competition from a more cost-efficient Mexico in Nafta.

A study commissioned by the island's development bank, however, has concluded that, if Nafta were to be implemented, Puerto Rico would have a clear advantage over Mexico in the US and Canadian markets in pharmaceuticals, electronic components and accessories, professional instruments, electronic computing and rum distilling.

This conclusion, said the study by US consultants KPMG Peat Marwick, is based on comparisons of the return on investments in Mexico and Puerto Rico. "In pharmaceuticals, the estimated rate of return to a Puerto Rican investment.... is about 65 per cent, whereas after Nafta the rate of return to an investment in Mexico making the same product for the US market is about 32 per cent," said the study.

It suggested, however, that Puerto Rico would be hard put to compete successfully with Mexico in some sectors. In clothing, for example, the rate of return on investments in Mexico would be 50 per cent with the implementation of Nafta, while the rate in Puerto Rico would be 30 per cent. There would be similar disadvantages for textile, tuna and leather footwear industries.

Canadians seek to water their Ukraine roots

Bernard Simon reports on the hoped-for trade benefits of family ties

A MILLION Canadians, more than 3 per cent of the country's population, are immigrants, or descendants of immigrants, from Ukraine. The ranks of Ukrainian-Canadians include the present governor-general, the finance minister, the premier of the prairie province of Saskatchewan and a judge of the Supreme Court of Canada.

With such numbers and political clout, it is not surprising that the community not only celebrated Ukraine's independence with gusto last December, but was confident of being in pole position to take advantage of trade and investment opportunities there.

Under pressure from the Ukrainian-Canadian political lobby, Ottawa was the first western government to recognise Ukraine's independence and was quick to extend trade credits and technical assistance. The expatriate community has financed and organised construction of Ukraine's new consulate-general in Toronto.

At the same time however, Ukrainian-Canadians find it hard to hide their disappointment that the effort they have put into helping their ancestral homeland has yet to be matched by hard business opportunities.

There has been no shortage of traffic between the two countries since Ukraine's independence. Canada's governor-general, Mr Ramon Hnatyshyn, was greeted by thousands of rapt Ukrainians when he visited his ancestral village last month. Toronto's Ukrainian community has organised a 12-member "Peace Corps" to work in various ministries in Kiev. One member helped prepare Ukraine's submission for loans from the International Monetary Fund.

A political scientist from the University of Alberta has spearheaded the formation of a public administration school in Ukraine. Another Canadian is chairman of the Council of Economic Advisers. Numerous Ukrainian groups have been to Canada to hone such varied skills as grain farming and securities trading.

Despite this high profile, business deals have been slow to materialise. The Canadian Bank Note Company scored an early victory by winning the contract to print Ukraine's new currency and stamps against tough competition from the more established Swiss company Due La Rue Giori.

Teleglobe Canada, a long-distance phone company, has installed an earth satellite station in Lviv.

Last March, a consortium of Canadian companies formed a pig breeding and farming venture with a collective farm near Mykolaiv in southern Ukraine. The Canadian partners will ship breeding stock to Ukraine and build a weaning facility on the farm.

But the Canadians appear to have less of a competitive edge than they had hoped.

Mr Brian Monaghan, a Toronto business consultant who organised the pig-farming venture, points to the irony that Ukraine seems to be less interested in doing business with its friends in Canada than with Germany, which invaded it in the second world war.

As Mr Monaghan notes: "The Germans can fly there and back in the same day."

More than geographical distance handicaps Canadian businessmen in Ukraine. Canadians complain that unlike their European competitors, they are unfamiliar with the sleazier side of business, which is often the key to deals in the nascent Ukrainian market. And family and cultural attachments to Ukraine do not insulate the Canadians from the frustrations felt by other western businesses trying to carve out a presence in the Commonwealth of Independent States.

"It's the Wild West there," says Mr Borys Wrzesnewskyj, owner of a Toronto bakery chain who also heads the local branch of the Canadian Friends of Rukh (the mass movement which initiated Ukraine's drive for independence).

Mr Wrzesnewskyj says that, for the moment, he is not even trying to do business in Ukraine because "I don't want to tarnish my name".

Plans for a North American issue of interest-bearing Ukraine bonds, modelled on State of Israel bonds, have been delayed. The first $30m tranche was due to be issued next month.

But Mr Dan Bilak, a Toronto lawyer spearheading the project, says the process is taking longer than expected.

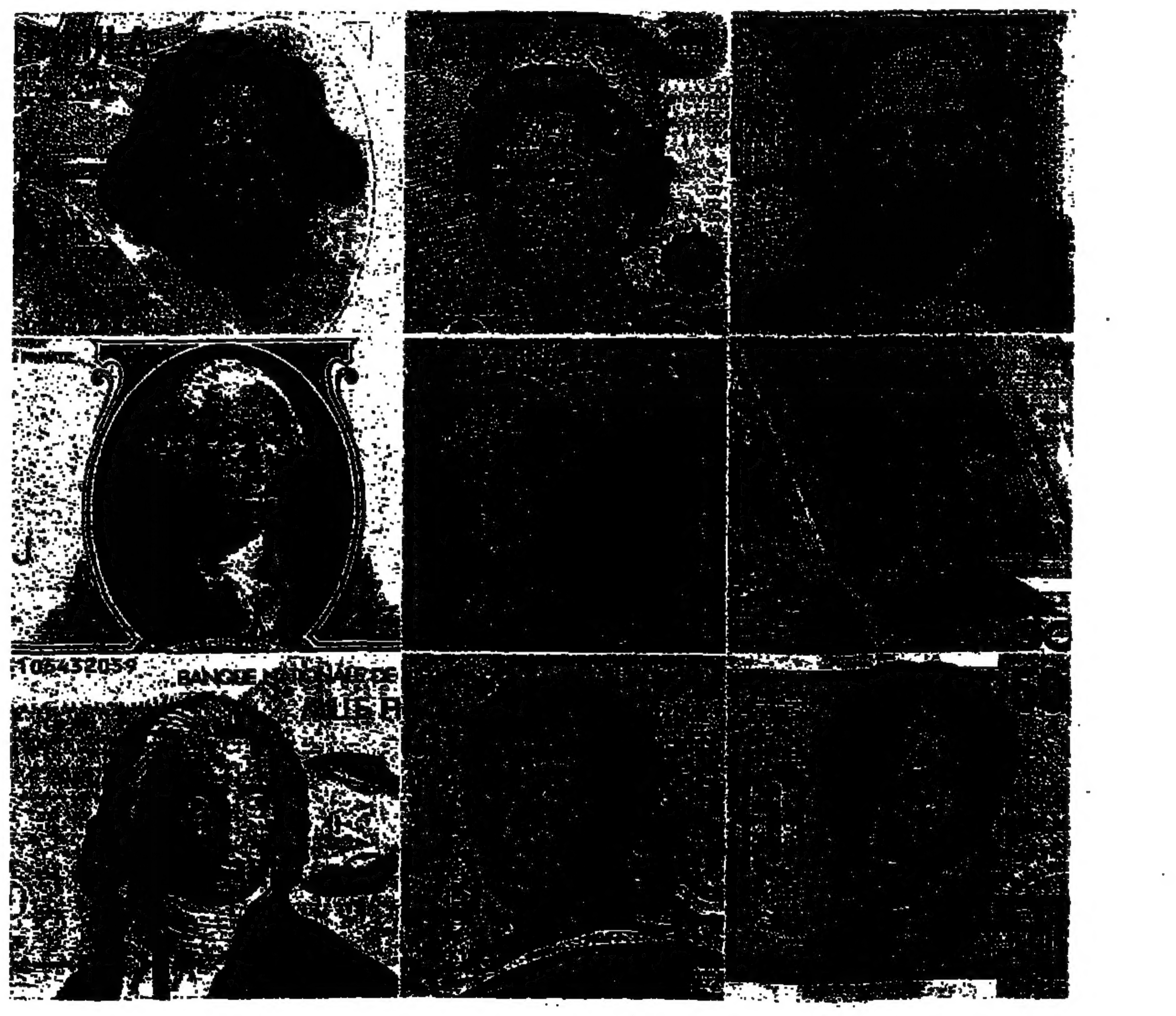
Mr Bilak notes that conversations with Ukrainian officials on the subject tend to start with an explanation of what a bond is.

These setbacks are clearly sorting out the men from the boys in the Ukrainian-Canadian business community. Nonetheless, McGill University's faculty of management in Montreal recently identified Ukraine as one of a handful of countries where Canadian business should enjoy a competitive edge.

The McGill study advised Canadian companies to focus their efforts on participating in selected privatisations; forming export consortiums in such areas as telecommunications and energy distribution; and financing small business start-ups in Ukraine.

It concluded however, that while Ukraine may offer potentially high returns, it remains a high risk.

That clearly applies even to those Canadians who were confident that they had a head start in sewing up business deals there.



Big fines urged over abuse of market power

By David Owen

BRITISH COMPANIES could face fines of up to 10 per cent of turnover for engaging in anti-competitive behaviour under proposals outlined by the government yesterday.

The ability to impose penalties of this magnitude is a feature of two of the three legislative options set out by the government in a new consultation document (green paper) discussing possible changes to the law on abuse of market power by individual companies.

Practices that could make companies liable to such fines include pricing their goods too cheaply for them to cover their costs and refusing to supply certain outlets with their products.

The government is already committed to improving the law against price fixing, market sharing and other cartels by stepping up powers to deal with cartels by prohibiting anti-competitive agreements.

The three options on which the government yesterday invited discussion are:

- To strengthen the existing case by case approach through measures that could involve improving the Office of Fair Trading's investigative powers and allowing more scope for the director general of fair trading to accept binding undertakings.
- To introduce a general prohibition on abuse of market power while repealing existing UK legislation on the subject. This comprises the monopoly provisions of the Fair Trading Act 1973 and the Competition Act 1980.
- To implement a 'dual system' by introducing a prohibition and repealing the Competition Act provisions on anti-competitive practices, while retaining the relevant provisions of the Fair Trading Act.

Though careful not to prejudge the consultation process's outcome, the government said yesterday that it believed the case for introducing a prohibition on abuse of power, alongside a restricted trade practices prohibition, "deserves serious consideration".

Welcoming the discussion document the opposition Labour Party said that its present preference was for a prohibition system.

At Westminster, Mr Michael Heseltine, trade and industry secretary, told MPs in the House of Commons that the regulated utilities like British Gas and the regional electricity utilities should be "as fully subject to competition legislation" as was consistent with their own statutory and regulatory framework.

Questioned on the shaping of UK policy in the context of the Europe Community, Mr Heseltine said one of the arguments for moving towards one of the prohibition options was that it "brings practice for domestic purposes" closer to Europe.

UK legislation currently differs from EC competition law in that abuses of market power may be prohibited only after they have been found to operate against the public interest.

France and UK clash on Gatt

MR John Gummer, agriculture minister, was told yesterday by Mr Jean-Pierre Soisson, his French counterpart, that France would use the full force of the law to protect UK farm exports – particularly lamb, writes David Blackwell.

Mr Gummer, president of the EC Farm Council, said after lunch with Mr Soisson that in his view France, as an exporting country, needed a General Agreement on Tariffs and Trade settlement as much as any other country in Europe.

"France has 3m-plus unemployed. They will continue to be unemployed unless we have a Gatt settlement," Mr Gummer said. There was no evidence for French fears that a Gatt settlement would not square with reform of the EC's common agricultural policy.

Mr David Naish, president of the National Farmers Union, said threats made by some sections of French agriculture against British lorries was outrageous. "We can understand the concern of French farmers, but taking to the streets in a violent manner is not the best way to make progress."

John Gummer at the Smithfield farming show in London yesterday

Contents of Maxwell's house under the hammer

By Jimmy Burns

THE late Robert Maxwell could not have foreseen the very public way the contents of Headington Hill Hall – his family home he once boasted was the finest council house in Britain – would be put under the auctioneer's hammer.

Yesterday, journalists descended on the Oxfordshire house – rented for just over £10,000 per annum from Oxford City Council – for a glimpse of the building where not so long ago deals were struck and fortunes enjoyed.

Mr Harry Dalmeny, from Sotheby's, was on hand to offer informed comment prior to a sale on January 14 expected to raise at least £300,000.

In the grand Victorian galleried hall, a large double staircase rose to a stained glass window depicting Samson at the gates of Gaza – the head not unlike Maxwell himself – framed by reproduction regency lamps.

In the hall itself, where the marble columns were in fact made of painted wood, a late 19th century Aubusson tapestry hung alongside a 1950s collage sculpture of Neptune.

In Mr Maxwell's room – with its Chinese-style wallpaper and large screen television – a bedside telephone had direct lines to company directors, two sons, newspaper editors, the Mirror newsdesk and the kitchen.

In an agreed statement handed out by Sotheby's, Mrs Elisabeth Maxwell said she had inherited some of the more tasteful items on show – the furniture, carpets, silverware and china. "They've been with us for 33 years but material possessions don't mean much to me and nor did they to my husband. The only things I collected were minerals, fossils, coral, and seashells."

Pensioners are likely to take little comfort from the paucity of items on display and that division of proceeds remains subject to negotiation between the receivers and Mrs Maxwell.

Angry Names block plan for success fees

By Richard Lapper

ANGRY loss-making Names at Lloyd's of London yesterday forced the withdrawal of proposals which could have earned hundreds of thousands of pounds for representatives pursuing legal action on their behalf.

Some 500 Names, approved legal action against 77 agents which placed them with the loss-making Gooda Walker syndicates. The Names, whose capital fund the market, also agreed to raise £2.8m to pay their legal fees in what could be a complex and long drawn-out legal action.

Mr Alfred Doll-Steinberg, chairman of the Gooda Walker Names Action Group, bowed to overwhelming pressure from his members by agreeing to withdraw an "incentive package" which could have been worth up to £300,000 for each of twelve members of the action group's committee.

The Names will seek to recover £248m in losses, about 10 per cent of the total suffered by Lloyd's as whole in 1988 and 1989, in an action which will allege negligence by the agents. However Mr Doll-Steinberg said that it would have been "divisive" to put the plan to claim " success fees" – which would have been separate from legal costs – for recovering losses to the meeting.

"There seems to be a certain groundswell," said Mr Doll-Steinberg. "The word obscene is being used over and over again. If you could find another epithet I'd be grateful," added Mr Doll-Steinberg, who said new proposals would be put to another meeting in January. "I wish you would express your feelings equally strongly to the people who lost you the money in the first place," he said.

Although many Names accepted that committee members might need some remuneration, many questioned the scale of success fees. "Most people believe its obscene that you should, having decided to serve on a voluntary basis, then ask for £300,000" said Mr Claud Gurney.

"There is no point in appointing lawyers and then negotiating yourself," said Mr Alan Navaratil. "You are keeping a dog and barking yourself. We're not against you, but the goalposts are being moved during the game," said another Name, who said the division would "gladden the hearts" of the members' agents against whom the Names were fighting.

Earlier Mr Paul Marland, MP, who was one of three new Gooda Walker Names elected to the action group's committee, said he was hopeful about the prospects for a negotiated settlement but that the group "must arm itself. We intend to keep our legal tanks full of fuel".

Lloyd's US losses may reach £4.9bn says Chatset

LLOYD'S losses from pollution and industrial diseases in the US could amount to £4.9bn, according to estimates by Chatset, the company that analyses the insurance market's results.

Names, the individuals whose capital underwrites Lloyd's, could face heavy annual levies to pay for the damage, depressing the profitability of current business.

The estimates, which Chatset said favoured pessimistic forecasts, form part of a new assessment of open years among Lloyd's syndicates.

Chatset estimates that it will cost a further £5.3bn to close the open years, with £400m needed to close years left open as a result of recent catastrophe losses such as Hurricane Hugo and the European storms of 1990.

Liability claims arising from court awards to victims of asbestos-related diseases and government-ordered clean-ups of polluted sites and asbestos-contaminated buildings account for the remainder.

The group estimates that it could take between 20 and 25 years to settle all outstanding claims and that taking into account investment income a fund of £2bn set aside now would be sufficient to meet all future liabilities.

Auditor to examine Lamont's legal costs

By Philip Stephens, Political Editor

AN investigation into a £4,700 government payment towards Mr Norman Lamont's personal legal costs was launched by the National Audit Office last night as the weekend disclosure of the contribution sparked a political row at Westminster.

Mr John Bourn, the Comptroller and Auditor General, told the Public Accounts Committee of MPs that it would conduct a detailed examination of the affair for "his own satisfaction and concern".

Mr Bourn heads the National Audit Office, the independent watchdog responsible for monitoring government expenditure.

He indicated that after studying the relevant papers he would report back to MPs in "two or three weeks time".

His decision came after the chancellor of the exchequer had sought to defuse the row arising out of his eviction last year of a self-styled "sex therapist" who had rented his London home - by publishing Treasury documents supporting his decision to accept the money.

The documents showed that the payment had been made with the full approval of senior civil servants. But they were dismissed as irrelevant by opposition parties.

Conservative MPs voiced fears that the controversy had further dented the chancellor's reputation by putting a question mark over his political judgment.

But ministers said there was no question of Mr Lamont being forced to resign.

Coal communities to widen campaign

By Paul Cheeseright, Midlands Correspondent

COALFIELD communities threatened by pit closures are likely to widen their campaign against the UK government by taking legal action against Mr Michael Heseltine, trade secretary.

The first steps towards the courts were taken yesterday when Mr Anthony Scrivener QC, in the report of an enquiry into pit closures he has been conducting for the Nottinghamshire County Council, argued that both Mr Heseltine and Professor Stephen Littlechild, the electricity regulator, had been in breach of their statutory duty under the Electricity Act 1989.

He also suggested that action could be taken in the European Court against Mr Heseltine under Articles 90 and 92 of the Treaty of Rome, which established the European Community. These articles relate to distortion of competition by publicly-owned enterprises.

Mr Martin Gawith, deputy leader of the Nottinghamshire County Council, making public the report of the Scrivener enquiry, said: "We will hope to get our partners together to seek legal redress."

The partners to which he referred are the local authorities which are members of the Coalfield Communities Campaign. Both public and private sector organisations in Nottinghamshire, fearful of seven colliery closures with direct and indirect losses of 14,000 jobs, have been vocal in their protests against pit closures.

The Scrivener report, which includes two volumes of evidence, was yesterday submitted to Mr Heseltine, in connection with his promised white paper on energy policy, and to the Commons select committee on trade and industry.

Mr Scrivener contended both that "there is unequivocal evidence of a rigged market" in electricity and that, under the terms of the Electricity Act, the secretary of state has a duty to promote competition.

"If the evidence is such that competition is being distorted, as claimed, then not only has he the power to act but he has a duty to do so and in the final resort interested parties have a right enforceable in the courts to require him to perform his duty," Mr Scrivener said.

He also considered that the legality of a levy on fossil fuels and the provision of a subsidy to support nuclear power "must be questionable" under the Treaty of Rome.

Toolmakers fear export delay

By Andrew Baxter

LEADERS of Britain's machine tool industry are seeking urgent discussion with the government amid growing concern that customs delays on machine tools due for export could damage the industry's trading prospects.

The Machine Tool Technologies Association has written to Mr Richard Needham, the government's trade minister, about its concern that machine tools have been delayed at docks even when they have had the correct customs documents.

The association's plea underlines the suspicions of some machine tool companies that, in the wake of the Matrix Churchill affair, in which machine tools exported to Iraq were subsequently used for the production of arms, exports to some countries in the Middle East and Asia are being unfairly singled out for delay.

It is worried that UK machine-tool manufacturers will be unable to give guarantees to customers that deliveries of machine tools will not be held up.

That could damage the industry's attempts to win repeat orders, causing it to miss out on vital export opportunities in the middle of a recession.

According to Ucimu, the Italian machine tool association, Italy's machine tool exports to Iran soared to L35.8bn (£17m) in the first half of this year, from L13.2bn a year earlier.

In contrast, UK exports to Iran slipped from £3.8m to £2.3m over the same period.

Price turbulence buffets UK's big power users

Ian Hamilton Fazey visits ICI's chemical plant at Runcorn

AT 4 o'clock every afternoon, senior managers at ICI's Runcorn complex start a computer game that takes them well into the evening and produces a forecast for the next day's electricity price. Only when it is over can they say whether and when ICI can afford to make chlorine during the next 24 hours.

The data they get is as accurate as a weather forecast. This unpredictability over the price of the vast quantity of power the complex uses – 1 per cent of all the UK's electricity consumption – has caused ICI to consider pulling out of the chlorine business in the UK altogether, putting 7,000 jobs at risk.

Bryan Bulloch says if ICI abandoned chlorine production, the UK trade deficit would increase by £1.5bn

ICI's protests are echoed by other large scale electricity users in the steel, glass, and cement industries, as well as other chemicals companies.

The price equation is extremely complicated. For example, the price ICI pays for electricity may vary unpredictably every half-hour – it pays the price bid by the last electricity generating station needed to meet demand for that half-hour slot in the day. If the weather gets colder and demand for electricity rises, the price may shoot up beyond anything planned for.

Since ICI never knows what it will have to pay until after it has consumed the power, it is crucial for ICI's managers to second-guess the forecast as closely as possible so they can shut down plant before they get caught out.

Mr Ken Green, commercial manager of ICI's energy policy and purchasing department, is in charge of trying to master Britain's electricity pricing system for the company, but says the mathematics have so far proved beyond computer-assisted brainpower.

Mr Bryan Bulloch, power services manager at Runcorn, north west England, who has prepared the company's evidence on the issue to two House of Commons Select Committees, values the chlor-chemicals sector's home and export markets at £750m a year each. If ICI abandoned chlorine production to foreign competition, the effect on the UK balance of trade would be a deficit of £1.5bn.

Before electricity was privatised, ICI paid about £30 per megawatt-hour (MWH). Average costs this year will average more than £31 per MWH. Under German competition law, ICI cannot divulge how much it pays for electricity for its similar, but smaller scale operations in Wilhelmshaven, northern Germany, but a figure of £25 per MWH is likely.

To get that, ICI has to guarantee running the plant at 95 per cent capacity to keep its contribution to overall energy demand predictable. It will come off-load in cold weather to help electricity generators cope with surges. Mr Green says similar bargains cannot be struck in Britain.

Mr Bulloch says the government believes that 90 per cent of industrial electricity users pay less than before privatisation, and that big users like ICI are merely whingeing.

ICI believes discounts should be available for large users once they pass a negotiable threshold, calculated so that even the most heavily discounted price would never be subsidised. Negotiation would match the lowest discounted price to the lowest profitable marginal price available locally, so as not to cause distribution problems.

Britain in brief

M0 growth hits hopes of new rate cut

Prospects for further cuts in interest rates before the end of the year faded yesterday with the news that growth in the narrow measure of the money supply had risen to its highest level for almost a year.

Strong annual growth of M0 – mainly notes and coins in circulation – have added weight to signs that an upturn in retail sales is under way.

The seasonally-adjusted figures from the Bank of England confirmed that in the year to November, M0 expanded by 3 per cent, the strongest year-on-year rate of growth since December last year. Compared with the previous month, it grew by 0.8 per cent.

The rise backs up a small, but unexpected, increase in retail sales in October. The two sets of figures indicate that a further sharp fall in retail spending is unlikely, even if sales ease before the end of the year.

New plant for US chip maker

A leading US manufacturer of printed circuit boards, a key component of electronic products, is to set up a plant at Livingston, Scotland, which is expected to employ 400 people within five years.

Jabil Circuit, which is based at St Petersburg, Florida, and employs 850 people in three factories in the US, is to spend £13.2m on developing a 33,000 sq ft plant.

The Scottish factory will be Jabil's first outside the US and aimed at meeting demand from customers in EC countries. Jabil makes printed circuit boards for the computer and automotive industries.

Insurer closed for business

Lancashire & Yorkshire Assurance, a friendly society – a mutual life insurance society which enjoys certain tax benefits aimed at small investors - closed to new business yesterday after revealing that a fund advertised as investing only in cash deposits and gilts had suffered a £4.3m property write-off.

The society, which took in £10.151m in new premium business last year, said it would resume writing new business only after the high court has reached a decision on how much compensation was payable. It will continue to pay claims on maturing policies.

Military cuts criticised

The government came under renewed pressure from the all-party House of Commons defence committee to re-assess its plans to cut the armed forces.

The committee warned that ministers could face accusations of "financial profligacy" if they were forced to increase numbers again. Current redundancy plans would cost the taxpayer about £400m a year for the next few years, it said.

Although it stopped short of calling for a full-scale review, the committee said the argument for sticking to plans drawn up in 1990 was "barely credible". New pressures had built up, including the commitment of British forces to former Yugoslavia.

Call to fight EC monopolies

Telecommunications users were urged to join the government's battle against vested interests which oppose increased international telecommunications liberalisation throughout Europe.

The comments by Mr Edward Leigh, trade minister, to the Telecommunications Managers Association conference in Brighton come as the European Commission is reviewing whether to open the region's telecommunications market to further competition. Mr Leigh said users should not underestimate the influence of vested interests, which is understood to refer to some continental monopoly telephone companies.

New advertising agency for FT

The Financial Times has chosen advertising agency Delaney Fletcher Slaymaker Delaney and Bozell to handle its £1m annual UK campaign.

The agency replaces Ogilvy & Mather, which handled FT advertising from 1981 until August this year and was responsible for the slogan "No FT: No Comment". Mr Terry Damer, the FT's UK marketing director, said: "We don't expect it [the slogan] to be buried, but the new campaign, to be launched early in 1993, will not depend upon it."

The new agency will handle the UK account, the FT's advertising in continental Europe is created by Ambler Stevns Rodford.

A little light on environment law

EUROPEAN COURT

The European Court last week placed a strict interpretation on the obligations of Community countries under EC environmental rules covering the quality of drinking water.

In two cases brought by the Commission against Germany and the UK, for failure to implement and apply the 1980 drinking water directive, the Court agreed with the Commission when condemning Germany and holding the UK in breach of EC environmental rules.

The cases give some insight into the way the ECJ approaches EC environmental law which could guide interested parties in other areas of environmental regulations.

The Commission made three complaints against the UK. First, the Commission successfully established before the Court that the UK had failed to bring into force binding provisions ensuring complete implementation of the directive.

In particular, the UK's Water Supply (Water Quality) Regulations 1989 did not cover water used in the food production industry and the directive had not yet been implemented formally in Northern Ireland or Scotland until the Water Supply (Water Quality)(Scotland) Regulations 1990.

Second, the Court upheld the Commission's claim that water supplied in 28 supply zones in England exceeded the maximum admissible concentration levels for nitrates and, when correctly interpreted, was not covered by unilateral derogations relied on by the UK.

The ECJ rejected the UK's arguments that the EC rules did not oblige member countries to ensure that drinking water met the minimum requirements laid down but merely required them to take all practicable steps to comply with the standards. This meant that the UK could not blame the excessive levels of nitrate in drinking water in the East Anglia supply zones in question on the use of fertilisers by *farmers, beyond its control.*

Again, in rejecting the UK's imaginative approach to its obligations and the permissible exceptions under the directive, the ECJ limited the applicable derogations to those expressly provided by the EC rules. Consequently, the Court can be expected in future environmental cases to refuse to make allowances for the activities of third parties or the conditions of the physical environment which may involve extrinsic factors, outside the complete control of a member state.

The UK, however, successfully defended itself against the Commission's complaint that lead levels in 17 supply zones serving a population of about 52,000 inhabitants in Scotland exceeded the prescribed lead limits.

The UK's arguments illustrate another aspect of the interpretation of EC environmental rules, likely to be relevant in other cases.

The rules in question provide maximum lead limits in drinking water, established in accordance with general testing procedures laid down by the directive. Where a house had lead pipes, the rules are more flexible in that they only require action by a member country if a threshold double the general limit is consistently exceeded, on the basis of particular tests.

The Court said this resulted from a correct interpretation of the specific notes on the meaning of the technical parameters stipulated in the directive. Consequently, in spite of the generally strict approach to member countries' obligations illustrated by the rules on nitrates, member states may be given greater flexibility by the small print, as in the case of lead standards.

In the case against Germany, the Court upheld the Commission on two complaints against the German law implementing the 1980 directive in the context of derogations. First, Germany permitted derogations outside the narrow parameters of the directive; and second, the German Länder had not been obliged by the implementing law to notify the Commission of such derogations permitted by them.

Case C-237/90, Commission v Germany, ECJ FC, November 24 1992; Case C-337/89, Commission v UK, ECJ FC, November 25 1992.

Other Cases

Case C-286/90, Anklagemyndigheden v Poulsen and Diva Navigation Corp, ECJ FC, November 24 1992 – enforcement of EC salmon conservation rules against vessels registered in non-Community state.

Case C-376/90, Commission v Belgium, ECJ FC, November 25 1992 – infringement proceedings relating to Directive 80/836/Euratom on protection against radiation – member state permitted to adopt stricter limits than in the directive.

BRICK COURT CHAMBERS, BRUSSELS

Double trouble

Global financial trading groups must guard against inadvertently paying tax twice over, says Robert Rice


Westpac cut its final dividend by 50% after being confronted with a previously undisclosed US tax liability of A$115m

Foreign companies operating in the US will have drawn *little comfort from* President-elect Bill Clinton's campaign boast that he could increase revenues by more than $10bn a year by "preventing tax avoidance by foreign corporations".

The extent to which Mr Clinton intends to act on his threat remains to be seen, particularly in light of last week's better than expected third-quarter US growth figures.

What seems certain is that Congress will reintroduce foreign income tax legislation early next year. Congress originally considered the legislation last May but shelved it because of the US elections. If passed, the bill would, among other things, require foreign companies to report minimum taxable income in the US regardless of the true profitability or otherwise of their US-affiliates; the sale of shares in US companies would also be taxed.

The implications of this tax assault on foreign companies in the US could be far-reaching. Indeed, US efforts to increase tax revenues without raising taxation on individuals is already beginning to have an impact on global financial trading.

According to Mr James macLachlan, a partner in the London office of the international law firm, Baker & McKenzie, the risk of inadvertently becoming liable to tax in several jurisdictions for capital markets' trading profits is now "one of the most critical issues facing global financial dealers".

Billions of dollars of financial products are traded globally daily. In the market for financial derivatives alone, $923.4bn of swaps – the trade of one form of debt for another – were written in the first half of 1991.

The implications of being assessed for tax on the profits of this trade in more than one jurisdiction are far-reaching. The problem is compounded by the fact that different jurisdictions apply different rules in determining where income is properly taxable and what can be deducted against it.

The US rules are particularly ambiguous. In spite of the growth in global trading in financial products in recent years, the US has not adopted a comprehensive tax regime aimed specifically at determining the geographic source of a company's income on a global deal.

Instead, the US continues to tax global traders under a regime designed to levy multinationals engaged in more traditional global trade such as manufacturing.

According to Baker & McKenzie's US tax lawyers, applying this traditional tax regime to global trading has resulted in tax rules which are "ambiguous, hard to comply with and which could potentially result in double taxation of income from global trading" – as Australia's Westpac Banking Corporation recently discovered to its cost.

Earlier this month Westpac announced it would halve its final dividend after being hit by a previously undisclosed US tax liability of A$115m (£52.00m). The tax charge related to interest rate and currency swaps assigned between Westpac's New York branch and other non-US branches in 1991-92. The liability surfaced during preparation of the bank's 1991 tax return. Coming on top of a undersubscribed A$1.2bn rights issue, the tax liability was disastrous news for Westpac.

The difficulty of allocating profits and losses geographically on such transactions is widely acknowledged. Global trading is done in a 24-hour market; deals originating in New York may not be realised as profit until the contract is closed hours later in London or Tokyo.

The inference drawn from the Westpac case is that there is a clear risk the US Internal Revenue Service (IRS) will treat a given swap, *regardless of where it was done,* as connected to the trade or business of a foreign dealer in the US – therefore as US income subject to US tax. It also appears that corresponding expenses or losses on the swap book incurred by offshore branches are not deductible in the US against that US income.

Westpac was forced to pay US taxes on profits on which it had already paid income tax in other countries, yet was unable to offset losses on matching deals. Many other financial institutions could also find themselves in the same position. So what can they do?

Mr macLachlan says there are two options. First, negotiate an advance ruling with the tax authorities setting out a simple basis on which trading profits will be allocated to each country involved in a deal. Second, dealers should spend time and money restructuring their operations to minimise the risk of double taxation. This requires close back office scrutiny of where deals are done.

Australia's Westpac Banking Corp was forced to pay US taxes on profits on which it had already paid income tax in other countries

The trouble with negotiating advanced rulings with tax authorities is that several countries, notably the UK, have long opposed giving advance rulings on the tax treatment of global financial dealings. They are also generally opposed to allocating profit by predetermined arbitrary formulae not related to the way a group's business is actually organised.

There is an additional problem in the UK. The Inland Revenue lacks the resources to provide this sort of service to taxpayers and, in the context of global financial trading, it also lacks expertise.

The US has no such problems. The IRS recently introduced just such an advanced pricing agreement (APA). France, Italy and Belgium have told the US they want nothing to do with APAs, while the UK Inland Revenue's position appears to be shifting.

Japan's Sumitomo Bank recently secured an APA from the IRS which was accepted by the US and the Hong Kong tax authorities. A further 20-30 applications for APAs are pending with the IRS.

APAs are not without difficulties and so are unlikely to satisfy everyone. APAs can take years to negotiate; they require full disclosures; *not all countries are willing to participate;* APAs only last three years; they create a tax result totally out of line with group commercial accounting practices (a problem still unresolved); APAs are arbitrary and might result in one country getting a bigger slice of tax than *it should.*

The message to financial institutions from the Westpac saga and the aggressive attempts being made by the IRS to maximise tax revenues is simple: corporations need to review their global tax strategy. Companies must ask themselves whether they are exposed to double or multiple taxation and, if they are, whether they can improve their arrangements within existing tax rules, or whether it would be sensible to seek an APA.

In many cases, however, the risk of exposure to double taxation may not be a big problem, or at least a manageable one.

Ultimately, traders know that political realities will restrain tax authorities' pursuit of tax revenues from global trading. Even the US cannot afford to risk driving international capital markets offshore to rival money centres by being too aggressive over tax.

LEGAL BRIEFS

Law Lords seek help on maternity leave case

THE LAW Lords have asked the European Court of Justice for help in resolving the difficult question of whether an employer is guilty of sex discrimination in dismissing a female employee who becomes pregnant shortly after being hired to cover for another employee taking maternity leave.

The Law Lords said last week there was no doubt that in general it was unlawful direct discrimination to dismiss a woman because she was pregnant. But in the present case the critical factor was that the employee would not be available for work at the time when the job for which she was specifically recruited was to be performed.

A final decision in the case of Webb v EMO Air Cargo (UK) was suspended pending a ruling by the European Court as to whether the issue had been affected by recent European Court rulings on the interpretation of the 1976 EC sex discrimination directive.

Property services

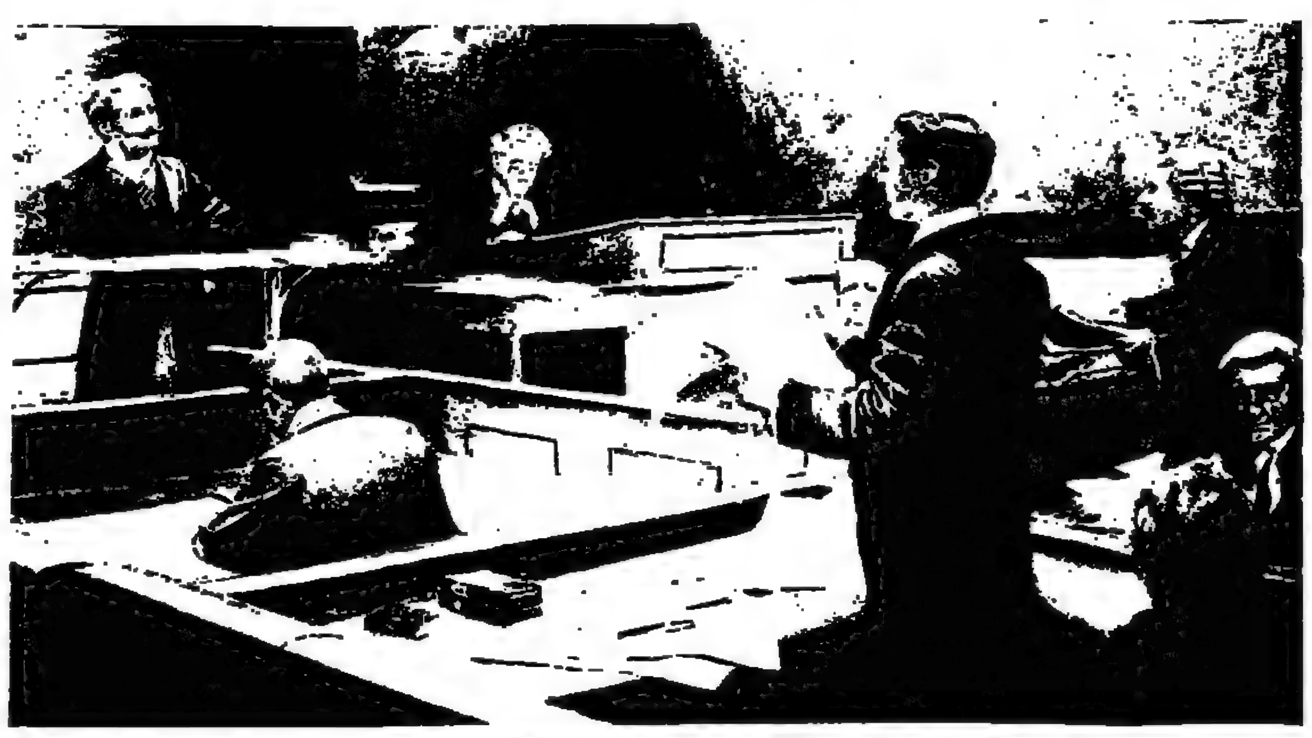
The Law Society of England and Wales is to undertake a review of conveyancing procedures to see if it can cut down on the incidence of mortgage fraud involving solicitors as part of a new three-year strategy plan covering the commercial and domestic property services.

Part of the three-year plan will also be to campaign for a number of changes in the law including: the introduction of a system of common-hold to facilitate communal management of blocks of flats; reform of the law which makes businesses still liable for their successor's defaults even after they have assigned the lease; and the creation of an environmental tribunal to handle cases involving the higher environmental standards businesses are now expected to meet.

MANAGEMENT: THE GROWING BUSINESS

Thomas Wyatt argues the case for Company Voluntary Arrangements which save businesses from bankruptcy

Stepping back from the brink



A Company Voluntary Arrangement can shield ailing companies from creditors and the pain of the bankruptcy court

With more than 25,000 British companies going to the wall last year, one wonders how many even knew about a rescue option which could have kept some of them alive.

The Company Voluntary Arrangement (CVA) is a procedure which is awkward to invoke, by no means foolproof but certainly far less traumatic than liquidation. It is also a solution with the added attraction of keeping more people in employment and allowing managers and directors to retain their powers.

Yet last year it was a management tool used by only 137 financially sick companies – slightly over 0.5 per cent of the dying.

The CVA is designed to shield an insolvent company from creditors so that it can recover sufficiently to trade its way out of its difficulties. There is a time limit, usually two or three years, to effect the approved rescue plan.

Only companies with a solid core business qualify for such treatment, because any CVA proposal needs 75 per cent by value of its creditors to approve it. These creditors will often include the VAT collector and the taxman.

The creditors are betting on recovering far more money than they would from a liquidation or receivership. And the company's directors are hoping to regain their dignity (and profits) after emerging from the strictures of a successful CVA.

Every CVA needs an insolvency practitioner – acting as an independent professional adviser – to piece together, present and supervise the proposed rescue plan. One such is Mark Goldstein of Morley & Scott in Marlow, who is currently nurturing 25 such rescue attempts under the little-known CVA umbrella.

He says: "There is a considerable public and even professional information gap about the solid reliability of the CVA rescue option. CVAs are not a panacea for insolvent companies, but under the right conditions they can be a most powerful and helpful management tool."

There are three reasons why CVAs have had such a low profile.

● First they do not figure in the standardised fees which the leading insolvency practitioners habitually charge their lending bank customers when administering the more established mortuary routines of company liquidation or receivership. Part of the public outrage about the fees charged by the larger insolvency practices stems from the cosy contracts which the lending banks' recovery units allow their "approved" insolvency practitioners.

Such chosen insolvency practitioners tend to be rather more concerned with speedily recouping the banks' lending exposure than any intensive care efforts to rescue ailing companies.

The liquidation of even a "small" business, for example, might entail only five to six days' work from "approved" insolvency practitioners, yet earn a firm £10,000-plus even if it fails to recover a penny of the bank's money. Furthermore the bank will need to indemnify the practitioner from any legal risks from other creditors caught up in the insolvency.

● Second a CVA takes years, rather than days, to complete, can be tricky to start and will pay the insolvency practitioner relatively modestly. The emphasis in such rescue attempts is on quality of time rather than quantity. There is no risk indemnity from the bank. By definition, therefore, it is the smaller practitioner, one not "approved" by the leading banks but hired by the financially distressed company itself, who has accepted and even specialised in CVA work.

In addition to Morley & Scott there are two other smaller insolvency practitioners, Bartfield & Co and Levy Gee & Partners, that are also supervising around 25 CVAs each.

● And the third reason why we are so extraordinarily poorly informed about CVAs? The crux of their workability is finding a further injection of cash.

LIMITED USE OF CVAs

	Company Voluntary Arrangements	Receiv-erships
1987	21	950
1988	47	858
1989	43	1,187
1990	58	2,634
1991	137	4,112
1992†	64	3,301

† First nine months   Source: KPMG and DTI

More money must be found from somewhere to prime the stalled trading engine.

Often, however, the historic lending bank is against providing any further cash to its insolvent customer.

Negotiating this CVA cash supply is thus the insolvency practitioner's trickiest task, and yet it is precisely the one which both the banks and their "approved" larger insolvency practitioners most studiously ignore.

Their attitude is understandable: more immediate benefit comes from gutting the secured assets or directors' guarantees from a troubled company than creatively risking or seeking yet more funding to attempt its possible salvation.

Because neither the leading high street banks nor the insolvency practitioners find it worthwhile to mount such uncharacteristic rescue efforts, we seldom hear about CVAs.

Out of sight is out of mind, despite the fact that CVAs were introduced six years ago in part one of the 1986 Insolvency Act.

The difficult part in designing any CVA revolves around the awkwardness of the word voluntary – awkward because there is no familiar route or set format to offer the gradually co-operating participants. Each solution is quite flexible within certain rules.

What particularly offends many financial fundamentalists is that uniquely under a CVA (as in Chapter 11 bankruptcy in the US) the remaining sinning directors and managers retain their executive powers.

Some feel this is equivalent to letting the fox loose again in the hen house. Yet this misses the point. Insolvency often occurs innocently – the result of circumstance or commercial naivety. Given a viable core business and the genuine will to improve performance, many companies can pull through, although there are no guarantees.

An important technical objection to the CVA is the fact that a dissident creditor can block an arrangement by calling in his debts. There is no interim protection to give the majority of creditors any time to agree a CVA.

But such protection is not necessary in every case. Much depends on the existing quality of communication with the company's creditors.

The company which has built up goodwill and an honourable reputation over years of fair trading practices will seldom find itself abandoned if it can propose a viable recovery plan.

The ultimate protection for any CVA lies in the diagnostic skill of the insolvency practitioner, who at the first sign of any consistent awkwardness on the part of directors or managers, will simply abort the co-operative effort and move on to liquidation or receivership.

Certainly no insolvency practitioner wishes to be involved with a rescue attempt that he judges will fail.

If the lending banks made sustained efforts to inform both their recovery units and their high street managers about the practical, emergency validity of CVAs, several hundred more British companies would undoubtedly be saved from unnecessary death every year.

To do so would entail painfully questioning long-standing routines with the banks' existing insolvency practitioners and possibly forging fresh alliances with some of the smaller practices that have specialised in CVA rescues.

The financial community's ability to recognise and bite this bullet may prove crucial for any national recovery. To cure our economy we need to learn honestly to cure sick companies rather than simply to pity and eviscerate them.

The author, who has used a pseudonym, is a director of a limited company currently in a CVA

Wigan peer groups band together to offer advice

By Charles Batchelor

It took 18 months of discussion, persuasion and the occasional bust-up to bring together the four main organisations which provide help and advice for business in Wigan, Lancashire.

Finally, last April, the local Training and Enterprise Council, known as Metrotec, the chamber of commerce, the tourism association and the Wigan and Leigh Small Firms Club set up the Wigan Metrotec Employers' Association and moved into shared offices in the centre of town.

With final details of the government's plans for a national network of one-stop business advice centres expected within the next few days, initiatives of the sort being undertaken in Wigan are of great interest to government and other business support organisations.

Michael Heseltine, trade and industry secretary and the main mover behind the one-stop shop programme, will be be seeking bids from up to 15 Tecs to run pilot centres.

Geoff Birkett, marketing director of Metrotec, believes that the employers' association would qualify to become one of these.

The pilots will be expected to start operating from April 1 but the government hopes to have a national network of about 200 advice centres within two years. The purpose is to rationalise Britain's fragmented business support networks so that they become more effective and provide better value for money.

There is unlikely to be a shortage of bids for the pilots. Indeed, the problem facing the government in the coming months may be to restrain local advice centres from starting up in an unco-ordinated way and damaging the idea of a cohesive, high-quality network.

Metrotec began lobbying other business support organisations shortly after it was set up two-and-a-half-years ago. "We were concerned that there was no single voice for business," says Rod England, a Metrotec director, chairman of the employers' association and deputy managing director of the local H.J. Heinz factory.

The four organisations which make up the employers' association held their first meeting in July 1991. "There was a natural suspicion and we had to make clear there was no hidden agenda," says Birkett. The smaller, long-established business groups were wary of being taken over by the Tec, with its £10m of government funding.

Despite these suspicions the four organisations came closer together and the move into shared offices in Wigan town centre last April removed the remaining barriers. Wigan New Enterprise, the local enterprise agency, is in the same building but has yet formally to join the combined grouping while Wigan's chamber of trade has decided in principle to join.

The four organisations continue to have their own managing boards though the distinctions are "melting" and new members are recruited to the employers' association rather than to the chamber or the business club. This avoids a difficulty which might have arisen with differing subscription levels set by the different organisations.

Although it has been the Tec which has led the Wigan project, setting up the employers' association as an "umbrella" organisation means that the partnership could continue if the government ever lost enthusiasm for Tecs.

Sharing offices has brought numerous practical benefits. The four organisations run a single information centre for telephone inquiries and personal visits while there is a shared electronic database. Marketing and recruitment are carried out jointly.

Despite the co-operation that has already been achieved, there are other important groups which have still to join the network. When the employers' association moves to purpose-built offices near Wigan Pier in 18 months it will be joined by the local authority's economic development unit.

The Wigan initiative has attracted interest throughout the north-west. "People come in and think it looks easy," says Birkett. "But they shouldn't underestimate the pain involved."

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Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Touche Ross

VSP Industries (International) PLC and its subsidiaries
Veteka Sports Limited
Stingray Pioneer Limited

(In Administrative Receivership)

The Joint Administrative Receivers, G J Watts and K S Chalk offer for sale the business and assets of the above companies.

Veteka Sports retails a wide range of watersports equipment whilst Stingray Pioneer designs and manufactures wet and dry suits together with a range of outdoor wear. The main features are:

- ☐ Group turnover approximately £3 million.
- ☐ Well known trade names.
- ☐ Freehold warehouse property in Surrey.
- ☐ Freehold and leasehold production facilities in Manchester.

For further information please contact Graham Watts or Bill Dawson at the address below.

Deloitte Touche Tohmatsu International

Abbey House, 74 Mosley Street, Manchester M60 2AT.
Tel: 061 228 3456. Fax: 061 236 0720.
Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

LEONARD CURTIS

BY ORDER OF THE JOINT ADMINISTRATIVE RECEIVERS
DERMOT J POWER FCA & DAVID SWADEN FCA
IN THE MATTER OF

FACTORY COMMUNICATIONS LIMITED

Offers are invited for the business and assets of the above company.

- Freehold office premises in Central Manchester of 5,606 square feet.
- Intellectual property rights
- Investments including interests in
  - The Hacienda Night Club
  - Dry 201 - Cafe Bar

ALL enquiries should be addressed to Ges Ratcliffe at :
Leonard Curtis and Partners, Chartered Accountants
Peter House, Oxford Street, Manchester, M1 5AB
Tel: 061 236 1955 Fax: 061 228 1929

LEONARD CURTIS

BY ORDER OF THE JOINT ADMINISTRATIVE RECEIVERS
DAVID SWADEN FCA & DERMOT J POWER FCA
IN THE MATTER OF

NORTH WEST DECOILING LIMITED

Offers are invited for the business and assets of the above company.

- Steel stockholders and processors - based in Warrington.
- Annual Turnover of approximately £3 million.
- Fully trained and experienced staff.
- Established National Customer Database.
- Fully equipped, Leasehold/Freehold premises of approximately 30,000 sq ft including a decoiling line and guillotine.

Enquiries should be addressed to Paul McGuire at:-
Leonard Curtis & Partners, Chartered Accountants
Peter House, Oxford Street, Manchester, M1 5AB
Tel: 061 236 1955 Fax: 061 228 1929

Touche Ross

Eurasco Limited

(In Administrative Receivership)

The Joint Administrative Receivers, J. B. Atkinson and A. P. Peters, offer for sale the business and assets of the above scaffolding rental and manufacturing company.

- ☐ Annual turnover of approximately £1.5 million.
- ☐ Significant stock holding.
- ☐ Leasehold premises in Wednesbury, West Midlands.
- ☐ Varied customer base including main building contractors.
- ☐ Small export market.

For further information, please contact Joe Atkinson or Barry Catton at the address below.

Deloitte Touche Tohmatsu International

Colmore Gate, 2 Colmore Row, Birmingham B3 2BN.
Tel: 021 200 2211. Fax: 021 236 1513.
Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Touche Ross

Knitwear Manufacturer Basford, Nottingham

(In Receivership)

- ☐ Excellent range of knitting and making up machines.
- ☐ Highly skilled workforce of 50 employees and staff.
- ☐ Good customer base.
- ☐ Turnover potential £1.5m minimum.
- ☐ Freehold factory 23,000 sq ft with loading bay and parking.

For further details apply to L. K. Denney or Ian Stanton at the address below.

Deloitte Touche Tohmatsu International

1 Woodborough Road, Nottingham NG1 3FG.
Tel: 0602 500511. Fax: 0602 590979.
Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

FIRST SERVICE LIMITED

(In Administrative Receivership)

The Joint Administrative Receivers L.A. Manning and S.V. Freakley offer for sale the above business in whole or in part. Trading as 4 retail sports shops:

SHOP	ESTIMATED SQUARE FOOTAGE	RENT	ESTIMATED TURNOVER (p.a.)	ESTIMATED STOCK
86 Putney High St, London	2,000 (1,000 used as warehouse)	£20,000 p.a	£300,000	£132,000
10 Lion & Lamb Yard, Farnham, Surrey	2,000	£28,500 p.a.	£350,000	£57,000
43 Times Square, Sutton, Surrey	1,700	10% of turnover	£250,000	£41,000
35 Old Woking Road, West Byfleet, Surrey	600	£14,000 p.a.	£150,000	£33,000

Stock comprises of sports footwear, equipment and clothing.

For further information please contact
Andrew Stoneman or Ravi Sembi
Buchler Phillips & Co.,
84 Grosvenor Street,
London W1X 9DF
Telephone 071-493 2550
Facsimile 071-629 9444

BUCHLER PHILLIPS & CO.

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

ALAN J. SUTTON F.C.A.
ADMINISTRATOR
offers the following for sale:

CHADDLEWOOD HOMES LIMITED

IN ADMINISTRATION

- Residential Property Developer
- Turnover £12M (1991)
- 11 Housing development sites and land stocks
- Sites in South West and North West England
- Certain sites may be suitable for Housing Associations

ALAN J. SUTTON F.C.A.
and DAVID MALCOLM WALKER F.C.A.
JOINT LIQUIDATORS
offer the following for sale:

PINEDALE ESTATES LIMITED

IN LIQUIDATION

- Residential Property Developer
- Turnover £14M (1991)
- 10 Housing development sites and land stocks
- Sites in South West and North West England
- Certain sites may be suitable for Housing Associations

For further details please apply to Alan J. Sutton,
Baker Tilly, Chartered Accountants, Brazennose House,
Lincoln Square, Manchester M2 5BL.
Tel: 061 834 5777. Fax: 061 835 3242.

CHARTERED ACCOUNTANTS

BAKER TILLY

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

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MANUFACTURING PLANT

Nortec Holdings Limited
Nortec Manufacturing Limited
Nortec Speech & Data Limited

The Joint Administrative Receivers offer for sale, as a going concern, the business and assets of this well established group involved in the design, manufacture, installation and maintenance of communications equipment.

Principal features of the business include:

- established customer base
- experienced and skilled staff
- fully operational manufacturing plant (BSI 5750 registered)
- current turnover approximately £3 million
- operates from premises at Atherstone, Warwickshire and Stevenage, Herts.

For further information, please contact the Joint Administrative Receivers, J M Iredale and J F Powell at Cork Gully, Harman House, 1 George Street, Uxbridge, Middlesex UB8 1QQ.
Tel: (0895) 273329. Fax: (0895) 273378.

Cork Gully is authorised in the name of Coopers & Lybrand by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Cork Gully

Bulwark Transport Engineering Limited

(In Administrative Receivership)

The Joint Administrative Receivers offer for sale the business and assets of the above company. The business is engaged in the repair and maintenance of buses and coaches including both mechanical and electrical components

- *Annual turnover of £1.2 million*
- *Broad customer base*
- *Extensive range of services*
- *1.5 acre freehold site in Chepstow with easy access to the M4*

For further details please contact C M Clapp FCA, Joint Administrative Receiver at Ernst & Young, One Bridewell Street, Bristol BS1 2AA.
Telephone: (0272) 290808. Facsimile: (0272) 260162.

ERNST & YOUNG

Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

By Order of the Joint Liquidators
Tony Thompson of KPMG Peat Marwick
and S Rishi of S Rishi & Co
Re: Interpegro Clothing Limited

DESIGNERS & RETAILERS OF BUTTE KNIT and JONATHAN LOGAN LADIESWEAR

- ☐ Own label ranges of quality ladieswear specialising in sizes 12-24
- ☐ 80 concession and consignment retail outlets in major department stores throughout the U.K.
- ☐ Modern HQ in Milton Keynes
- ☐ Sales in excess of £4M p.a.
- ☐ Stock level approx £400-500,000 at retail

BUSINESS & ASSETS FOR SALE

Ref: GSM

ES&P

EDWARD SYMMONS & PARTNERS
2 Southwark Street, London Bridge, London SE1 1RQ
Fax: 071-407 6423
LONDON • MANCHESTER • LIVERPOOL • BRISTOL • SOUTHAMPTON

Tel: 071-407 8454

Opticians & Contact Lens

BUSINESS FOR SALE

The Joint Administrative Receivers of **CLM Group Limited** offer the business and assets of this prestigious chain of opticians and contact lens practitioners for sale.

Principal features include:-

- Quality end of the retail market
- Substantial patient lists
- Long established Contact Lens Centre in London (Freehold)
- Nine leasehold shops - prime locations (6 in London)
- Well stocked
- Turnover of £4million p.a.

For further information, please contact the Joint Administrative Receivers quoting ref: **MBO/2243**

Levy Gee & Partners
Wettern House, 56 Dingwall Road
Croydon, Surrey CR0 0XH
Tel: 081-681 8389, Fax: 081-681 8402

LEVY GEE & PARTNERS
CORPORATE SUPPORT SERVICES
LONDON • MANCHESTER
WORTHING • CROYDON

David Shaw (Silverware) Ltd
J T Deeley Limited
Cooper-Cobb Limited
Lilhale Limited
Betashire Limited

The Joint Administrative Receivers offer for sale the business and assets of the above companies. The companies specialise in the manufacture and supply of silverware.

- ◆ freehold manufacturing premises in Sheffield
- ◆ leasehold showroom in London
- ◆ trade marks and trading names
- ◆ stocks of raw materials, partly completed stocks and finished goods
- ◆ turnover in excess of £1m per annum with established customer base

For further information contact the Joint Administrative Receivers – Ray Hocking or Martin J W Venning, Stoy Hayward, Nimrod House, 42 Kingfield Road, Sheffield S11 9AT.
Tel: (0742) 556591 Fax: (0742) 585104.

STOY HAYWARD Horwath
A member of Horwath International *Accountants and Business Advisers*
Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

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LEONARD CURTIS

BY ORDER OF THE JOINT ADMINISTRATIVE RECEIVERS
DAVID SWADEN FCA & DERMOT J POWER FCA

TOSELAND (SAWTRY) LIMITED

Offers are invited for the business and assets of the above company as a going concern.
Its main activity is that of Builders Merchants.

- Based at Sawtry, near Peterborough.
- Annual turnover £650,000
- Freehold land and buildings.
- One and a half acre site with planning permission.
- Established Customer Base.

Enquiries should be addressed to Paul Keeley at :
Leonard Curtis and Partners, Chartered Accountants
Peter House, Oxford Street, Manchester, M1 5AB
Tel: 061 236 1955 Fax: 061 228 1929

BUSINESSES FOR SALE

GREEK EXPORTS S.A.
INVITATION

For expressions of interest in buying the assets of
GEORGOVIOMIHANIKI PIRIRAS S.A. (GE.VI. S.A.)

Within the framework of the government's privatisation policy on the basis of Law 2000/1991, GREEK EXPORTS S.A., based in Athens (17 Panepistimiou str) and a subsidiary of the HELLENIC INDUSTRIAL DEVELOPMENT BANK S.A. (ETBA S.A.), has been appointed liquidator by Salonica Court of Appeal Order No. 3210/1992 and intends to sell, with the procedure described in article 46a of Law 1892/1990 as supplemented by article 14 of Law 2000/1991, the entire assets of GEORGOVIOMIHANIKI PIRIRAS S.A. which is based in Methoni, Pieira, and in which E.T.B.A. S.A. is a shareholder.

GEORGOVIOMIHANIKI PIRIRAS S.A. was founded in 1976 (FEK No 2145/8-7-76) and is engaged mainly in the canning and freezing of fruit and vegetables, following processing, and the trade of these products.

The main industrial complex of the company covers a total area of 27,039 m², on a self-owned plot of land of 98,444 m² in area. It is situated at the 50th kilometre of the Salonica-Katerini National Road, facing the Old Salonica-Katerini Road, and includes the factory building (which houses the mechanical equipment used for processing, freezing and canning), a machine-shop, an independent warehouse, an independent building of offices, changing rooms and auxiliary areas, and sheds.

The company also owns a factory-sorting facility at Argolika near Nafplio, which functions seasonally. The latter covers a total area of 2,112 m² on a plot of land 4,500 m² in area.

Finally, the company also owns, at 22 Aesopou str in Salonica, two self-sufficient floors of offices, covering an area of 179.47 m² each, as well as a basement, 131.68 m² in area.

FINANCIAL DATA (*in thousands drs*)

	30-6-88	30-6-87
Total Assets	2,033	1,713
Turnover	158	288

Note: The above figures derive from the latest published balance sheets (1-7-86 to 30-6-87 and 1-7-87 to 30-6-88).

PRIVATISATION PROCEDURE

I. Within twenty (20) calendar days from publication of the present invitation, interested buyers must submit a non-binding written declaration of interest.

II. Prospective buyers, after giving a written promise of confidentiality, can obtain an Offering Memorandum and have access to other information concerning the company for sale.

III. The announcement of the public tender for the highest bidder will be published within the prescribed time limits and in the same newspapers.

For any additional information, please contact:

a) The Head Office of E.T.B.A. S.A., Directorate of Public Holdings, 87 Syngrou Avenue (2nd floor), Tel. 30-1-92.94.395 and 30-1-92.94.396.

b) Greek Exports S.A. 17 Panepistimiou Street (1st floor), Tel. 30-1-32.43.111 to 30-1-32.43.115.

c) The E.T.B.A. office in Salonica, 45 Nikis Ave., Salonica, Tel. 30-31-278.623 and 30-31-239.371

NURSING HOMES

The joint administrative receivers offer for sale as a going concern the business and property of North Manchester Homes Limited and Oldham Homes Limited respectively.

Withins Nursing Home (Bolton)
- Registered for 24 residents
- Fully occupied
- Site includes detached house
- Planning permission to extend premises
- Offers invited in the region of £450,000

Coppice Nursing Home (Oldham)
- Registered for 20 residents
- 95% occupancy
- Site area of approximately 2 acres includes large, detached house (both with development potential)
- Planning permission to extend premises
- Offers invited in the region of £450,000

For further information please contact Andrew Menzies or Ken Jones.

ROBSON RHODES

Centre City Tower, 7 Hill Street, Birmingham B5 4UU.
Telephone: 021-643 1936. Fax: 021-643 4993

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

The Distribution Centre Ltd.

The Joint Administrative Receivers offer for sale as a going concern, in whole or in part, the business and assets of The Distribution Centre Ltd.

The business, based in Greenford, Middlesex, operates a warehousing and "pick and pack" distribution service for major perfume houses and social stationery companies.

Principal features include:
- Annual turnover in the region of £800,000.
- Leasehold premises consisting of offices and warehouses.
- Warehouse equipment and machinery.
- Established customer base with forward order book.
- Experienced management, administration and warehouse staff.

tdc

For further information contact the Joint Administrative Receiver, Tony Thompson, KPMG Peat Marwick, Aquis Court, 31 Fishpool Street, St Albans, Hertfordshire AL3 4RF. Tel: 0727 43000. Fax: 0727 41005.

KPMG Corporate Recovery

On instructions of the Administrator

BUSINESS FOR SALE
BASED IN SHEFFIELD

Specialising in

OFFICE FURNITURE, EQUIPMENT & STATIONERY SUPPLIES

* Established 1978 *

Trading from 13,500 sq ft leasehold premises, rent £12,500 p.a.

* Customer base of 500 accounts plus established Local Authority & Health Authority contracts *

* Turnover ex. VAT to Year End 1992 £1m *

* Current stock in excess of £250,000 *

* Member of Insust Group *

Sales information and further details available from the Agents.

CHARTERFIELDS
International
Asset Valuers and Auctioneers

301 Glossop Road, Sheffield S10 2HL.
Tel: 0742 797788. Fax: 0742 797579

Smith & Williamson

Corporate Recovery · Litigation Support · Corporate Finance · Taxation · Banking · Investigations
Investment Management · Pensions & Life Assurance · Accounting · Auditing · Management Consultancy

The Joint Administrative Receivers of

BRANDED CHILDRENSWEAR HOLDINGS LIMITED

offer for sale the 100% shareholdings it has in the following companies:

★ Demin Distributions Limited
★ Patrizia Wigan Holdings Limited (formerly Crossview Limited)

The companies are involved in the wholesale and retail of children's clothes, which includes the following brand names:

Levi's

For details, contact Peter Yeldon or Richard Oirschot on 071-637 5377 at the offices of Smith & Williamson, No. 1 Riding House Street, London W1A 3AS. Fax: 071-323 5683.

Smith & Williamson Chartered Accountants
Registered to carry on audit work and authorised to carry on investment business by the Institute of Chartered Accountants in England and Wales

Smith & Williamson Securities
Authorised institution under Banking Act 1987.
Member of IMRO. Member of the British Merchant Banking and Securities Houses Association

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On the Instructions of the Joint Administrative Receivers PR Copp and R Hocking of Stoy Hayward

LONDON, W2 HOTEL

18 bedroom hotel in a prime location close to Marble Arch. Established tourist trade. Good order throughout. Leasehold 113 years remaining. Recommended.

£375,000 leasehold. Ref. 20/130

For further information contact:
Jim Keogh, London Hotels Department on 071 486 4231

STOY HAYWARD

CHRISTIE & Co
CORPORATE DIVISION

FOR SALE:

Hydraulic Fittings and Adaptors manufacturing business, located East Midlands. Projected sales 1992 £1.35m.

Contact: F.T.E. Tel: 0423-884375 or Fax: 0423-881140

For Sale

INSTRUMENTATION CO.
c £4M T/O

Call: 071 831 8896
G.A. Corporate Services
88/90 Gray's Inn Road,
London WC1X 8AA

MOTOR AUCTION BUSINESS FOR SALE As A Going Concern. Established ten years and extremely profitable. Full details from Hodgson Elkington & Co. Tel: 0522 512232. Ref: SJE.

BUSINESS AND ASSETS Of solvent and insolvent companies; for sale. Business and Assets. Tel 071 262 1164 (Mon-Fri)

GOLF CREDIT CARD Established name, excellent opportunity for development. For details, write to Box A4139, Financial Times, One Southwark Bridge, London SE1 9HL

CURRENCY MANAGEMENT INC. Tremendous opportunity. Superb location in Chicago, an NFA registered, C.T.A. inc. Fully state of the art equipped. At the centre of the world's largest currency market (700 billion per day). Valid reason for selling. Tel 081 871 7842 Fax 081 878 6652 or Tel 0225 445862 or Fax 0225 445803.

SALE OPPORTUNITY

Lingerie/Hosiery Importers.
Established 30 years.
Nationwide distribution.
T/O £1.3m average. Stock £200K+. Owners retiring.

Apply: Lever Bros. 103/109 Southwark Street, London SE1 0JJ.
Fax No: 071 633 9832 Ref: FT27

FOR SALE

Head licence for sewer renovation systems.
Good income stream in expanding market.
Fax: 071 935 0354.

KINGSTON HEALD & PARTNERS OFFER:

A unique opportunity to purchase a state of the art food processing factory in the Republic of Ireland. This represents excellent value at £750,000.00

Please contact: Kate Lucas on 44 71499-2571

FOR SALE

Prime Location
Central London Hotel
Three Star Standard
100 Bedrooms
Capacity to Expand
Principals Only

Please reply to: Box A4642, Financial Times, One Southwark Bridge, London SE1 9HL

MAGAZINE FOR SALE

Environmental quarterly magazine for sale. Great profit potential short and long term.

Write to: Box A4656, Financial Times, One Southwark Bridge, London SE1 9HL

COMMUNICATIONS/ MAINTENANCE COMPANY

Net Profit £.5 million
4,000 happy paying customers
£16 million contracted revenue
Sale due to owner emigrating

Write to Box A4644, Financial Times, One Southwark Bridge, London SE1 9HL

VETERINARY PHARMACEUTICALS FOR SALE

PLC DISPOSAL OF A PERIPHERY BUSINESS

Manufacturer and distributor of Veterinary Pharmaceuticals and agency
Distributor of Veterinary Surgical Instruments
Located on two sites in the Midlands and the North
Turnover in the order of £5m per annum
Profit margin exceeds 10%
Established Quality Management in place

Principals only write to:
Box A4641, Financial Times, One Southwark Bridge, London SE1 9HL.

Humberts · LEISURE

Hampshire/Sussex Borders

Commercial fish farm and house set in its own secluded valley

- Well established, spring and river fed, trout farm
- Attractive 5 bedroom residence overlooking the river
- Equestrian complex with 5 boxes, paddocks and former manege

In all about 24 acres, freehold

Offers invited in the region of £275,000

071-629 6700
25 GROSVENOR STREET · LONDON W1X 9FE

Saturn Cable Communications Ltd.

The Joint Administrative Receivers offer for sale as a going concern, in whole or part, the business and assets of Saturn Cable Communications Ltd.

The business, based in Cheshunt, Hertfordshire, has been involved in the design and installation of satellite and terrestrial communications systems for some 20 years.

Principal features include:
- Annual turnover in the region of £2 million.
- Modern freehold premises including offices and warehouses.
- Varied stock for current orders.
- A national reputation in this industry.
- Quality recurring customer base.

For further information contact the Joint Administrative Receiver, Tony Thompson, KPMG Peat Marwick, Aquis Court, 31 Fishpool Street, St Albans, Hertfordshire AL3 4RF. Tel: 0727 43000. Fax: 0727 41005.

KPMG Corporate Recovery

INTERNATIONAL SUPPLIERS OF ALUMINIUM FORMWORK AND FALSEWORK SYSTEMS

Aluma Systems (UK) Limited

The Joint Administrative Receivers offer for sale the business and assets of this supplier of aluminium formwork and falsework systems.

Principal features of the business include:
- broad customer base
- turnover approximately $5.5 million
- 20 employees
- approximately 80,000 square metres of aluminium formwork
- rental or sale of aluminium frames, beams, flying forms and wall forms.

For further information, contact Tim Harris or Christopher Hughes, Joint Administrative Receivers, Cork Gully, St Andrews House, 20 St Andrew Street, London EC4A 3AD.
Tel: 071 606 7700. Fax: 071 606 9887

Cork Gully is authorised in the name of Coopers & Lybrand by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Cork Gully

Unique Opportunity to acquire

SHIP YARD FOR SALE
AS A GOING CONCERN
EAST COAST LOCATION

225,000 SQ. FT. of Covered Space on 38 Acres plus 8 Acres of Water
Extensive water frontage including slipways and quay heads
Fully Equipped
All Enquiries to
Box A628, Financial Times, One Southwark Bridge, London SE1 9HL

BUSINESS WANTED

BUSINESS WANTED

HEALTHCARE Service Businesses

Our client, an expanding listed group, seeks to grow by acquiring a healthcare service company which:
- is preferably a niche player
- may be involved in consultancy, patient care, child care, health promotion, servicing of hospitals, project management or supply of contract staff
- has a turnover in the range of £300,000 to £10 million
- must be trading profitably
- desires continuity of current management

Vendors and their advisers should telephone either Marcus Moir or Ian Smith on 071-388 4242 in absolute confidence. Your identity will not be revealed to our client without your permission.

Livingstone Fisher plc
Acre House, 11-15 William Road, London NW1 3ER

LIVINGSTONE FISHER
The Acquisition & Disposal Specialists
A Member of FIMBRA

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

ACCELERATE YOUR ACQUISITION PROGRAMME on Tuesday evening, 19 January, 1993

Livingstone Fisher and the Financial Times invite you to a free evening seminar.

There has never been a better time to acquire unquoted companies during the past decade. This includes private businesses and divisions or subsidiaries of listed groups. The recession has prompted owners to consider selling and at realistic prices.

This seminar has been designed especially for directors and senior executives of acquisitive companies, including listed groups, their subsidiaries and substantial private businesses.

The topics to be covered are:
- CREATING OPPORTUNITIES TO ACQUIRE – this requires an active approach coupled with opportunism; a passive approach is inadequate.
- NEGOTIATING THE DEAL – a sound framework is needed to negotiate meaningful heads of agreement in order to avoid disagreement prior to legal completion.
- ACHIEVING LEGAL COMPLETION – skilled handling is essential to progress from negotiated agreement to a legally completed acquisition.

The seminar will focus on the action to be taken and proven methods to accelerate your acquisition programme.

The speakers include:

Barrie Pearson, Chairman and Managing Director of Livingstone Fisher Plc. He is widely recognised as one of the most experienced corporate finance advisers in buying and selling unquoted businesses, and has considerable experience of cross border deals.

Andrew Baker, Partner in Wedlake Bell, Solicitors, with extensive experience in the legal and taxation aspects of buying and selling businesses.

The seminar will be held at the Financial Times, No 1 Southwark Bridge, SE1. Light refreshments will be served from 6.15pm, seminar 7.00pm to 9.00pm. Places at the seminar are strictly limited.

If you wish to attend this free seminar please write to:
Maria Bennett, Livingstone Fisher Plc. 11-15 William Road, London, NW1 3ER.

LIVINGSTONE FISHER
The Acquisition & Disposal Specialists
A Member of FIMBRA

LEGAL NOTICES

Registered in England and Wales
ABBEY TAXIS LIMITED
(Company Number 1016538)
Principal Place of Business:
175 Rutland Road, Sheffield

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named Company will be held at 1 East Parade, Sheffield S1 2ET on 9 December 1992 at 3.45 pm for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

D J Stokes
Joint Administrative Receiver
25 November 1992

Notice of Appointment of Administrative Receiver
W. M. LIFT SERVICES LIMITED

Registered Number: 2220614. Nature of Business: Lift Manufacturing Services. Trade Classification: 23. Date of Appointment of Administrative Receivers: 18 November 1992. Name of Person Appointing the Administrative Receivers: National Westminster Bank Plc. Joint Administrative Receivers: N J Vaugh: (Office Holder Number 6339), C J Hughes (Office Holder Number 2041). Address: Cork Gully, PO Box 262, Orchard House, 10 Albion Place, Maidstone, Kent ME14 5DZ.

BUSINESS WANTED

Healthcare Company wishing to expand hospital business seeks new and established products and/or companies for acquisition.

Fields of special interest include:

Anaesthesia, Resuscitation, Theatres, Orthopaedics, Neonatal Care and Maternity.

Please write to:
Box No. A4638, Financial Times, One Southwark Bridge, London SE1 9HL.

WHOLEFOOD O.T.C. HEALTHCARE

Well-established company seeks to acquire profitable company and/or products in allied fields.
Turnover £200,000–£2,000,000.
Flexible Terms.
Prompt Decisions.

All replies in strictest confidence.
Box A4636, Financial Times, One Southwark Bridge, London SE1 9HL

Our client seeks to acquire for cash a quality

BUSINESS SERVICES COMPANY
- Minimum turnover £5 million
- 100-300 employees
- Profitable track record essential

Potentially interested vendors or their advisors should contact:
Alan Greenberg, BPG Corporate Finance
84 Grosvenor St., London W1X 9DF
Tel: 071 493 2550 Fax: 071 629 9444

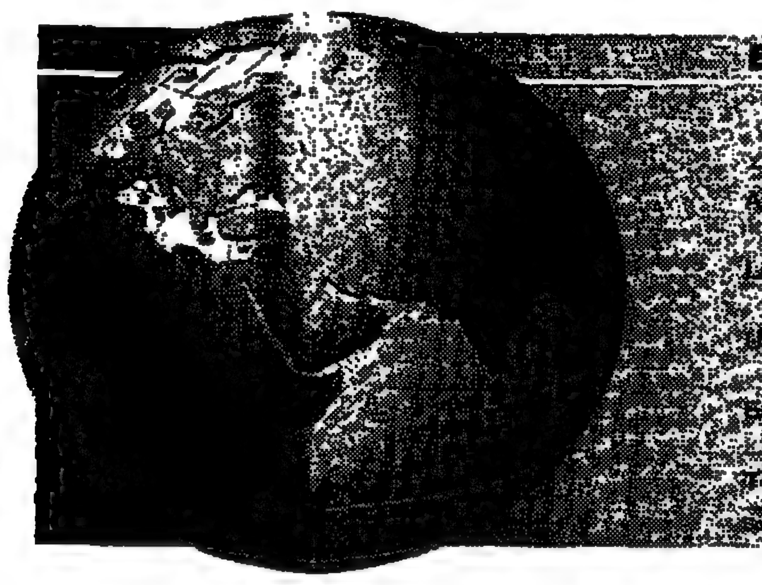
BPG

PUBLISHING COMPANY WANTED TO BUY

International publishing house wants to acquire a British publishing company. All cash. Confidentiality guaranteed.

Please respond to:
Box A4653, Financial Times, One Southwark Bridge, London SE1 9HL

TECHNOLOGY



Estimated cumulative costs of Aids 1981-1991

	Projected Aids cases	Costs per Aids patient ($) Direct	Indirect	Total costs ($bn) Direct	Indirect	Total ($bn)
Africa	575,002	850	15,300	0.5	8.8	9.3
Latin America	155,000	13,300	115,700	2.1	17.9	20.0
US	270,000	80,000	541,000	22.0	146.0	168.0
Europe	69,000	80,000	541,000	5.5	37.3	42.8
Total				30.1	210.0	240.1

Source: Blackwell Reference 1992

An economic infection

On World Aids Day, **Clive Cookson** analyses the disease's grim cost

Each day, Aids costs the world an estimated $250m. This alarming figure includes the direct costs of treatment, prevention and research and the more substantial indirect costs from loss of earnings.

Only now, 11 years after Aids was first recognised as a new disease, are analysts starting to make systematic estimates of its worldwide economic impact. Figures emerging from work at the Harvard School of Public Heath in the US, Cambridge University in the UK, the World Health Organisation in Geneva, and elsewhere suggest that the total costs of Aids and HIV infection are now running at about $90bn a year: $10bn direct and $80bn indirect.

According to Andrew Cliff and colleagues at Cambridge University Department of Geography, the cumulative cost of Aids over the first decade of the epidemic (1981-91) was $240bn.

Projections for the next 10 years are more speculative, since no one knows how quickly HIV will spread nor how successful medical researchers and the pharmaceutical industry will be in developing better treatments for Aids. WHO estimates that 13m people have been infected so far. Forecasts for the year 2000 range from 30m to 120m people with HIV. Global costs could then be running as high as $500bn per year – equivalent to more than 1 per cent of world GNP.

Such alarming figures lie behind WHO's message for World Aids Day: that spending on prevention of HIV infection in developing countries must be increased at least 20-fold "in order to have any real hope of slowing the spread of the epidemic" and its attendant human suffering and economic impact.

Developing countries spent only $120m on Aids prevention in 1991, WHO says. Yet the minimum required for an effective prevention programme is $2.5bn a year. This would include campaigns to promote safer sex through schools and the mass media, education of prostitutes and measures to eradicate HIV from blood supplies.

But the two biggest elements of WHO's proposed prevention package are large-scale distribution of condoms and better treatment of other sexually transmitted diseases.

Forecasts for the year 2000 range from 30m to 120m people infected with HIV. Global costs could then be running as high as $500bn per year — equivalent to more than 1 per cent of world GNP

WHO advocates spending $790m distributing 8bn condoms a year to sexually active people in developing countries – at present the total world production of condoms is only 6bn a year. And it says $1bn a year should be devoted to treating the diseases; much of this would be spent on modern antibiotics to kill the bacteria more effectively than the cheap resistance-prone drugs used in the third world today.

"We know what approaches work to prevent transmission," says Michael Merson, director of the WHO Global Programme on Aids. "Compared to the cost of caring for someone who becomes infected, these interventions are very good value. Every hundred dollars spent now will save millions later."

Although more than 80 per cent of those infected are in developing countries, the absolute costs of HIV and Aids are far higher in Europe and North America (see table) because healthcare expenses and lost earnings per patient are so much greater.

The direct cost of caring for an average Aids patient is $32,000 per year in the US and $400 per year in Africa, according to Daniel Tarantola of the Harvard School of Public Health.

Fred Hellinger of the US Agency for Health Policy and Research says the average cost of treating an American patient from diagnosis to death has almost doubled in four years, from $57,000 in 1989 to $102,000 in 1992. (Comparable lifetime treatment costs are $20,000 for lung cancer, $52,000 for breast cancer and $175,000 for kidney failure.)

Medical costs are rising because US doctors are treating patients more aggressively at an earlier stage in the progression of Aids. Although there are still very few drugs to treat HIV directly, many are becoming available to fight the secondary infections associated with Aids or to boost the immune system.

Yesterday, for example, Wellcome announced that it had received approval to market Mepron in the US and Canada for early treatment of PCP, a form of pneumonia that is common among Aids patients.

Some patients are taking as many as 10 drugs at once, each costing several hundred dollars a week. "Drug costs account for 15 per cent of the total cost and will get higher as time goes by," Hellinger said.

According to Cliff's projections, the cumulative cost of Aids in San Francisco, one of the worst affected US cities, will amount to $13.38bn over the period 1981-99 – $1.72bn direct and $11.66bn indirect (loss of earnings). That is equivalent to 8.6 per cent of the total income of the San Franciscan population over the same period.

The cumulative cost of Aids for the country of Uganda over the same 19-year period is likely to be about $2bn, equivalent to 2.4 per cent of GDP. In the case of Uganda, however, the costs will rise sharply during the 1990s, reaching 12 per cent of GDP from 1995 to 1999.

"While inter-regional shifts of economic resources will undoubtedly ensure that western cities such as San Francisco survive the economic onslaught of Aids, the future outlook for countries like Uganda is bleak," Cliff says. "Aids has the potential to strip away the value equivalent of the country's modern manufacturing sector by the end of the century."

Flexible workhorse that went to war

Andrew Baxter describes how the modern lathe can produce shell casings as easily as chess pieces

By selling equipment to Iraq, Matrix Churchill triggered off a political storm which has also focused sharp attention on the versatility of modern machine tools.

They are often called "mother machines" because of their role in making equipment for use throughout the manufacturing industry, but few such mothers are as flexible as the computer-controlled lathe.

In manufacturing, however, this raises few eyebrows. Flexibility is what lathes are all about. At the Hanover machine tool fair in September, 1989, shortly after UK-based Matrix Churchill first publicly admitted it had sold machine tools to Iraq, the company had one on show programmed to make chess pieces from brass to illustrate its lathes' versatility.

If they can produce chess pieces, why shouldn't any computer numerical control (CNC) lathes be able to make shell casings, say experts on CNC machine tools? After all, almost the whole range of machine tools such as milling machines, machining centres, boring machines and CNC presses are used in arms production.

The basic process in a lathe is "turning" – applying a tool to a rapidly spinning billet of steel to produce a cylindrical component with multi-diameters, tapers and other features.

Even manual lathes can produce huge varieties of cylindrical components. With CNC, which expresses every action and movement of the machine tool as a number which can be controlled by computer, productivity is transformed, accuracy is controlled by computer down to a few microns, and reprogramming to switch tasks can be done in half a day.

It is not surprising, therefore, that the CNC unit is the most sensitive part of a modern machine tool for governments worried about possible end-use. While the machine tools exported to Iraq were British, the CNC units directing them were foreign – the market is dominated by Fanuc of Japan.

CNC producers are also interested in flexibility. The Fanuc controllers used typically on a Churchill lathe are much the same as those used on other lathes, although the software varies. Much of the machine tool builder's expertise goes into marrying a flexible user-friendly control system to a versatile metal-cutting workhorse.

So how does the owner of a CNC lathe set it up to produce, say, shell casings, or switch production from harmless widgets or tractor axles to armament components?

The simplest approach, particularly for a manufacturer lacking a modern computer-aided design (Cad) system, would be to produce an engineering drawing of the casing. This would be taken to the machine tool, and an operator would punch in the basic dimensions of the part and the sequence of machining operations. This is called "manual data input".

Several different rough and final finishing operations would be needed to produce a shell casing, but the operator would have a basic knowledge of machining.

The CNC unit works out the details of the tool path and, in many cases, produces a graphic of the finished part. The programmer will also input the speed of cutting and the "feed rate" at which the cutting tool is pushed towards the component. Often, the CNC unit's own internal library will calculate, for example, how quickly the workpiece will have to be turned to cut a certain depth.

Western manufacturers of shell casings would almost certainly not follow this route, preferring to produce the design on a Cad system. A standard piece of computer-aided manufacturing (Cam) software attached to the Cad system converts the design into data that can be used in manufacturing. The programmer sits in an office inputting the machining, tooling and other instructions in a process known as "off-line" programming. If the program has been produced off-line, it has to be transferred to the CNC. This is done by storing it in a floppy disk and taking it to the CNC, or installing a direct numerical control (DNC) cabling link between the Cam and the CNC. Once the program is installed in the unit, and the tooling sorted out, the first component can be produced. The operator can edit the program to adjust dimensions, making final corrections that could take only a few minutes for the part to be made to very fine tolerances. Then full-scale production can begin.

Once programmed, the CNC unit will store all the information it needs and can be switched from widgets to shell casings in an hour or two, allowing time for changing some of the tools and the workholders. And if the bottom falls out of the armaments market, it can be switched back to widgets again.

PEOPLE

Scottish Enterprise picks economics professor

The new chairman of Scottish Enterprise, the government's economic development body for Scotland, is to be Professor Donald MacKay, probably Scotland's best known economist. He will succeed Sir David Nickson in January.

MacKay, 55, has held professorships at Aberdeen and Heriot-Watt and he remains honorary professor at the latter university.

In 1976 he founded the economic consultancy Pieda, which operates from Edinburgh, Reading and Manchester.

He has been an economic consultant to the Scottish Secretary since 1971, writes an economic column in The Scotsman with a free market orientation and presents studies for Pieda clients lucidly and with a smile.

His most recent was an assertion of the case for preserving the Rosyth naval dockyard in Scotland against its rival Devonport, in which he accused the Ministry of Defence of advancing "a quite extraordinary and unacceptable argument." Just before the general election he produced a study undermining the economic arguments for a Scottish parliament and for Scottish independence.

He is a less emollient man than Nickson, 63, who presided over the breaking up of the Scottish Development Agency, where he became chairman in 1989. The SDA was transformed into Scottish Enterprise, which consists of a core body and 13 local enterprise companies.

Nickson guided the government in making Scottish Enterprise a viable organisation, and soothed the anguished brows of the SDA's top executives, many of whom however left.

Prof MacKay is a non-executive director of Grampian Holdings, the industrial mini-conglomerate. Sir David Nickson, who is to devote more time to his business interests, is chairman of the Australian-owned Clydesdale Bank.

Gone from Costain

Tom Slee, 52, is leaving Costain, where he has been finance director for the last seven years. Alan Lovell, 38, chief executive of Conder Group for five months before it went into receivership in September, will become chief financial officer until a replacement for Slee is appointed by the board.

Slee, who joined Costain in 1978, has been in charge of the UK construction group's finances during a period in which it has suffered badly in the recession and has seen its borrowings rise dramatically. Prior to Costain, Slee had worked for Courtaulds and KPMG Peat Marwick.

The group also appointed two new directors. They are Thomas Parker, 49, who is president of Costain's US coal operations, and Peter Hill, 40, who is head of corporate development and chairman of the residential property division.

■ Tony Shearer, finance director of M&G Group, has resigned from M&G RECOVERY INVESTMENT TRUST.

■ Malcolm Tappin has resigned from ASSOCIATED BRITISH CONSULTANTS.

■ Peter Buckley has resigned from HARRY RAMSDEN.

■ Richard Stothert has retired from A.G.BARR.

■ William Wilson is retiring as deputy chairman and executive vice-president from ALEXANDER & ALEXANDER.

■ Tony Spurling has resigned from BLACKS LEISURE GROUP.

Jobs for Northern Ireland

Desmond McVeigh has been chosen as the new chief executive of the Industrial Development Board, Northern Ireland's main jobs promotion agency. He replaces Tony Hopkins, who left in March to become a partner with Touche Ross.

Since then Frank McCann, formerly an undersecretary in the Department of Environment, has been acting chief executive. He will now be offered "another senior position" within the organisation, IDB said.

The government has spent several months searching for the new chief executive, who takes on one of the most difficult economic development jobs in the UK. It is understood McVeigh, 53, whose career has been in international banking, will be receiving a six figure salary.

McVeigh got his early training at Citibank, latterly working in the oil division on the financing of exploration and development projects in the North Sea. From 1974-1977 he was with First National Bank of Dallas where he became vice president, responsible for the bank's credit operations throughout Europe, Africa and the Middle East.

After seven years at Saudi International Bank, he moved in 1985 to Lloyds Merchant Bank, and then in 1988 on to found his own independent project development agency. The company operates in the UK, Central Europe and Middle East and its present portfolio includes projects in Poland and Saudi Arabia.

McVeigh was born in Ceylon, where his father was a Methodist missionary, and was educated at Methodist College and Queen's University, Belfast.

Still fighting for consumers

Lady Wilcox, businesswoman turned consumer advocate, is set to become the longest serving chairman of the National Consumer Council. She has been reappointed as chairman of the 17-year-old quango which aims to give a vigorous and independent voice to consumers.

The Government's decision to reappoint Lady Wilcox, who was married to the late Sir Malcolm Wilcox of Midland Bank, will be seen by some as a further seal of approval for a sometimes stern critic of officialdom. One observer who knows her well described her as the type of self-made businesswoman that the government is keen to promote.

She has spent over 20 years in the food industry, importing and exporting fish all over the world. She established factories in France, Ireland and Great Britain, processing and distributing chilled, smoked fish to national supermarkets. Lady Wilcox is also a member of the Prime Minister's Citizen's Charter Advisory Panel, the Local Government Commission, the Board of the Inland Revenue, and the Money Advice Trust. A council member of the Institute of Directors, she also plays an active role in Church of England affairs.

Lady Wilcox will serve for a further three-year period, and Ann Scully, a school governor and member of the Chester Small Business Bureau and Chamber of Commerce, will serve for a further four years as NCC vice chairman.

■ Dominic Loehnis, son of former Bank of England director Anthony Loehnis, has been appointed as a special advisor to Peter Brooke, Secretary of State for National Heritage. Mr Loehnis, 25, was educated at Eton College and University College Oxford. He previously worked at the Sunday Telegraph covering Arts and Media issues and among his outside interests are cricket (Glamorgan) and football (Arsenal).

ARTS

'Washerwomen on the banks of the Touques' by Boudin

A love for the coast

William Packer considers Boudin a petit maître par excellence

Horrible it may have been in other ways, but this has been at least a very good year for the painting of the 19th century. There was a delightful show at Brighton in the summer centred upon the French and British artists, Walter Sickert prominent among them, who worked in and around Dieppe; and now we have the full Sickert retrospective at the Royal Academy. An exhibition of the work of the Barbizon group, Daubigny, Rousseau *et alios*, has lately come on at Agnew's; and there was the Sisley show in early autumn, again at the Academy. None of these artists conspicuously altered the course of the history of western art. None bestrode his world like a Courbet, a Cézanne, a Picasso or a Matisse. Yet each, in offering a lesser example, produced work of no less particular excellence, to be admired and enjoyed for what it is. To be a *petit maître* is to be *maître* none the less.

Now, with *Boudin at Trouville*, we have another artist of this category and quality, and an exhibition as exquisite as any them. Eugene Boudin died in 1898 at the age of 74. Though late in coming to his vocation – he did not complete his formal studies until he was 30 – he was remarkably prolific, producing something over 4000 paintings, with many thousands of drawings and water-colours besides. He was a landscape painter, with Normandy very much his home territory; but he made regular visits to Brussels and Antwerp, travelled on into Holland on occasion, and made several visits to Venice in his old age.

Yet the consistency of his work is manifest in its ostensible variety, for Boudin's love was for the coast, and for the rich choice of subjects it gave him, the beach and the harbour, the sea and the sky. And if he could find such interest as well in Venice or Dordrecht, he could find it just as well along the familiar coast of his native Normandy. Most of all he could, and did, find it on his doorstep at the fashionable resort of Trouville, or on the other bank of the estuary of the Touques, at Deauville, where he made his home. The paradox is that by doing just that, he is now too easily dismissed as an artist of merely limited and local interest.

The premise of this exhibition, fully justified in the event, is to offer a view of the work that Boudin produced in and around Trouville across the full span of his career, and to take it as representing the whole. The results are at once salutary and surprising, for if Boudin is misrepresented, it is indeed as simply the artist of the fashionable Parisian world of the Second Empire, taking the sea air along the beaches and promenades of Trouville, gossiping and flirting among the bathing-huts, watching the sun go down over the sea, hooped skirts swinging, bonnet-ribbons flying in the breeze.

Those familiar images are presented here, of course, and in strength, as they should be, but at last they appear in their proper context along with the harbours and the jetties, the shipping standing out to sea, the washer-women along the river-bank, and the wider landscapes across the bay or up the valley behind the town. What we discover by this is an artist not limited at all, but developing rapidly and surely, in both his technique and his attitude towards his subject-matter.

It is indeed true that the earlier work, of the early 1860s, is genre painting of a sort, whether it is the Empress Eugenie breezing along the front with her retinue, or a horse and cart coming down the hill on the Trouville road. The limitation is simply a preoccupation with the subject in documentary terms, with even a hint at social comment. Boudin was worried at times that he might be, for his day, a little politically incorrect. "When you have just spent a month among people doomed to the hard labour of the fields", he wrote to a friend in 1867, "... and find yourself confronted with this troop of golden parasites ... it inspires a little pity ... and a certain shame at painting lazy idleness." A year later he had rationalised such qualms away: "Between you and me they are often seeking rest after working hard in their offices."

What is apparent from the work, however, is that within these few years even the most overtly fashionable of his beach scenes had become much less specific in its personal characterisation, though no less full of life and character as an image. The crowd itself takes on the active character that before was invested in a single figure, even a recognisable *type*. Boudin will always use a figure or group to animate a landscape, beach or jetty, and will establish the image with an extraordinary suggestive and effective economy, but gone for ever is the particular *dramatis personae*, the drooping whiskers and bowler hats, panniers and petticoats of the regulars to be found at Trouville, year after year throughout the 1860s.

So technically as with the imagery, as Boudin absorbs the growing, contemporary example of impressionism, so he develops his own answers to the ever-changing problems of light, mood and atmosphere that confront the painter working directly from nature in the open air, *sur le motif*. His paintings are never large, even by the standards of the impressionists, but the physical space they conjure for us beyond the surface of the picture is as large and wide to the imagination as any landscape allows.

By the 1880s, in simple, unprepossessing views across the water-meadows of the Touques, or along the Deauville road beneath a lowering grey sky, he is producing work quite as grand in its own terms as anything by his more celebrated peers, Monet or Manet, Pissarro or Sisley. This is not a large exhibition, but then, like the works themselves, it hardly needs to be.

Boudin at Trouville: The Burrell Collection, Pollok Country Park, Glasgow, until February 28; then to the Courtauld Institute Galleries, Somerset House, London WC2; sponsored by the Whyte & Mackay Group.

Recital/Alastair Macaulay

Irina Arkhipova

The veteran Bolshoi mezzosoprano, Irina Arkhipova, was already a Soviet star in the 1950s. (You can hear her *Carmen* recorded live at the Bolshoi in 1959, in a performance sung all in Russian save for Mario del Monaco, who sings Don José in Italian.) She has long been an international star, and in the international repertory; I well remember her incisive Azucena in a 1975 Covent Garden *Trovatore*. Her gleaming voice, its rapid vibrato so characteristic of a tradition widespread in Soviet postwar singing, can be heard in many recordings, especially of music by the late 19th-century Russian masters.

Today, when the voice has lost much of its force and edge, she is still an authoritative artist. On Friday, accompanied by Ivari Ilya at the Queen Elizabeth Hall, she sang an all-Russian recital with her particular combination of calm and attack. Swathed in heavy purple, with an ugly bow at her breast that looked like an embalmed wren, she stood and delivered, with a simple minimum of airs and graces. The vibrato is slower these days, the voice greyer, and she does not really sing louder than mezzoforte. And she needs music – neither too taxing nor too undemanding – that is a proper vehicle for her gifts.

At first, in five songs by Gretchaninov, she made no great impression, and the songs appeared to be merely stock sentimentality and run-of-the-mill Russian soul. But she made greater interpretative inroads into five songs by Arensky. Especially in "A sky of blinding blue," "Was it so long ago to magical sounds" and "The garden is all in bloom," she revealed how variously she can still deploy her tones. Always an assured mistress of phrasing, she constantly contrasts firm attack with sure note-to-note portamento to expressive effect.

It was no surprise that she was at her best in nine Tchaikovsky songs. Tchaikovsky not only wrote more sensitively for the voice than other Russian composers, he was also a more natural communicator. The two jewels of Friday's recital were in complete contrast: the amorous serenade "In the bright light of dawn" and the desolate "Once more, as before, alone". The rapture of the one and the hopelessness of the other emerged with riveting intensity. Arkhipova has the complete simplicity of the true grand manner, and its easy range of nuance.

She showed it again in the first of her two encores - the Countess's scene from *The Queen of Spades*. Disdain, pride and age all coloured her every utterance; and then, as she recalled Boieldieu's "Je crains de lui," she went straight for the erotic affliction that so marks this opera. Bitterly and hauntedly she sang it the first time; tenderly but resignedly the next.

Opera in Berne/Andrew Clark

Savage myth in modern dress

It is hard to believe that the new production in Berne of Siegfried Matthus's *Judith* is only the third time the opera has been staged since the sensational Komische Oper premiere in 1985. Based on Friedrich Hebbel's 1840 play about the Old Testament heroine, *Judith* is a natural repertory piece, combining the blood-lust of *Elektra* with the intensity of a psychological thriller.

The music may not be particularly subtle or original, but it is sure of touch and free of affected modernisms. The two leading roles offer a magnificent challenge to a dramatic soprano and bass baritone, and the choral writing is powerful. *Judith* seems tailor-made for Josephine Barstow and English National Opera, who need look no further than this staging by Eike Gramss, director of the 1989 ENO production of another modern German classic, Reimann's *Lear*.

Ever since Vivaldi, composers have seen the dramatic potential of Judith. A widow with a destructive longing for a mate, she saves her native Bethulia from extinction at the hands of Nebuchadnezzar's unconquerable general, Holofernes, by seducing him and chopping off his head. Matthus's opera has an extended finale, in which the victorious Bethulians rape and plunder as their enemies had done: nothing changes, the oppressed simply become the oppressors.

It also has a feminist subtext: Holofernes is an ogre who proves his power by abusing women; Judith initially claims "A woman is nothing". When the finally realises her power by killing him, she is raped and rejected by the very society whose interests she served.

Gramss and his designers, Werner Hutterli and Renate Schmitzer, present *Judith* as a savage myth in modern dress. Holofernes, with tattoos visible beneath his string vest, could have been an Arab military commander or an urban guerrilla chief, with a voracious appetite for sadistic, sexual violence - the only area where this production went beyond the bounds of taste. Holofernes' men wore army fatigues, Nebuchadnezzar's arrogant messenger resembled an overfed lawyer. The besieged Bethulians were an anonymous 20th century crowd of Jews, trapped behind the shutters of a vast blood-red bulwark. The conflicts of the first act were emphasised by placing the protagonists on different levels, the lighting oscillating between the two just as the music does. The tension of the second act was superbly realised as Judith stalked her prey in a décolleté red and black evening dress.

Berne was lucky in its leading partnership. Holofernes could have been written for Monte Jaffe (well-remembered from ENO's *Lear* and *Timon of Athens*). He sang with steady, penetrating voice and used every limb and nerve to pierce the depths of this unpredictable human monster. Christa Ranacher captured Judith's do-or-die courage and erotic power, but the important top notes lacked the necessary brilliance and abandon. Carry Persson as Holofernes' cowering sidekick and Anita Herrmann as Judith's Maid gave strong support. The Berne chorus sang remarkably well. The weak link was Martin Fischer-Dieskau's conducting. While the solo contributions from piano, harp, bassoon and amplified bass guitar were sensitively handled, the tutti were undifferentiated and tempi were allowed to drift.

Do-or-die courage: Christa Ranacher in the title role in Matthus's 'Judith'

Obituary

Sir Sidney Nolan

The reputation of Sir Sidney Nolan, who died in London at the weekend at the age of 75, is in many ways characteristic of our times; that is to say it remains contradictory, uncertain and ambiguous. He died full of honours – RA, a knight, member above all distinctions of the Order of Merit.

Of all Australian artists, he was as he is likely to remain the most famous, patronised and collected by the highest in the land, known and admired for his work by a society not exactly renowned for its support for the contemporary and the avant garde.

And yet, within the community of British and Commonwealth artists he was increasingly dismissed and neglected, remembered if at all as a figure from a period that was past, fixed for ever, as Ned Kelly was within his iron mask, with the single memorable image of that square-headed, half-mythical figure, outlaw and anti-hero. His tragedy was that after his extraordinary and immediate success of the 1940s and early 1950s, and his extended development of the Kelly sequence of paintings, though he continued to change in his own work, without his central character, no one took any notice. And the more no one looked, the more desperate and disillusioned he became.

Meanwhile, there were other and technically better painters among his contemporaries, whose work was less constrained by a particular image and more natural and consistent in its development – Arthur Boyd outstanding among them. Nolan rather was, so it seems now, a classic victim of his own good luck and early success, taken up by the powerfully well-intentioned and encouraged to cut himself off from his imaginative roots, from the landscape of the Australian outback and its myths of the eternal vagabond and outsider. Go to England "and I'll help you do an exhibition", said Sir Kenneth Clark to the the young painter in the late 1940s, "but you have to realise that if you leave Australia, perhaps you'll never go back."

Perhaps in spirit he never did, but for all that, and for all the subsequent critical obloquy and neglect, the Ned Kelly series remains a considerable and lasting achievement. These paintings were seen most especially and to great advantage in the Arts Council's +Angry Penguins+ exhibition at the Hayward four years ago, set in their true context, with the work of the other Melbourne painters of the 1940s, Boyd, Perceval, Tucker and the rest. They remain his monument. It is perhaps no bad thing to hit upon a powerful and particular image after all.

William Packer

INTERNATIONAL

ARTS GUIDE

AMSTERDAM

CONCERTS
Tonight in **Concertgebouw:** Cyprien Katsaris piano recital. Tomorrow: Diego Masson *conducts London Sinfonietta in* works by Jonathan Lloyd, Mark-Anthony Turnage and others.Fri, Sun afternoon and next Thurs: Georg Solti conducts Royal Concertgebouw Orchestra in works by Bartok, Mahler and Brahms. Sun evening: Shura Cherkassky.Next Mon, Tues, Fri: *Vassili Sinaiski conducts* Netherlands Philharmonic Orchestra in works by Beethoven and Shostakovich, with piano soloist Rudolf Buchbinder.Dec 11: Julian Bream. Dec 16, 17, 20: Wolfgang Sawallisch conducts Beethoven (6718 345). Tomorrow and Fri in **Beurs van Berlage:** Hartmut Haenchen conducts Netherlands Chamber Orchestra in works by Cimarosa, Viotti and Haydn, with violin soloist Ida Haendel (6270 466).
DANCE/OPERA
Tonight, tomorrow and Sat at **Muziektheater:** Nederlands Dans Theater in works by Paul Lightfoot, Nacho Duato and Jiri Kylian.Thurs and Sun afternoon: Hartmut Haenchen conducts Pierre Audi's new production of La boheme (eight further performances till Dec 29). Dec 13-30: Dutch National Ballet in *Stravinsky programme* (6255 455).

BRUSSELS

Palais des Beaux Arts 20.00 James Galway is soloist with Württemberg Chamber Orchestra. Thurs: Ronald Zollman conducts Belgian National Orchestra in works by Mendelssohn, Sibelius and Bartok, with violin soloist Vadim Repin.Fri: Jose van Dam sings Mozart (507 8200). Dec 11-29 at **Monnaie:** Die Zauberflöte (219 6341).
Theatre National 20.15 Beaumarchais' play The Barber of Seville, daily except Sun and Mon till Dec 12 (217 0303).

CHICAGO

CHICAGO SYMPHONY
Tonight's programme, conducted by Pierre Boulez, includes works by Bartok and Elliott Carter. Thurs, Fri, Sat and next Tues: Boulez conducts Ravel's Left Hand Concerto (Leon Fleisher) and Messiaen's Et exspecto resurrectionem mortuorum (435 6666).
CHICAGO LYRIC OPERA
Tonight and Fri: Un ballo in maschera with Sharon Sweet, Kristian Johannsson and Vladimir *Chernov (also Dec 7, 11, 16, 19).* Tomorrow and Sat afternoon: Pelleas et Melisande with Teresa Stratas. La boheme opens on Dec 12 (332 2244).

MUNICH

OPERA/DANCE
Bavarian State Ballet hosts a gala in **Prinzregententheater** tomorrow, Thurs and Fri. Stravinsky's The Soldier's Tale and Viktor Ullmann's Der Kaiser von Atlantis at **Cuvilliés-Theater** *on Thurs, Sat and Sun.Sat in* **Prinzregententheater:** Cecilia Bartoli song recital. Next Mon at **Gasteig:** concert performance of Il trovatore, with Julia Varady and Dennis O'Neill (221316).
CONCERTS
Tonight's Munich Philharmonic programme at **Gasteig,** *conducted by Gerd Albrecht, has* music by Hartmann and Schumann (repeated Thurs and Fri).Tomorrow: Claudio Abbado conducts Berlin Philharmonic Orchestra in works by Berg and Mahler. Sat: Maurice André is trumpet soloist with Stuttgart Chamber Orchestra. Sun and next Tues: Bach's *Christmas* Oratorio (48098 614).

NEW YORK

JAZZ/CABARET
Blue Note this week: Yellowjackets. Next week: Chaka Khan. Dec 29-Jan 3: Chick Corea. Dining (131 West 3rd St, 475 8592). Ballroom Brazilian singer-songwriter Gilberto Gil is here for the next few weeks. Tapas restaurant (253 West 28th *St, 244 3005).*
Algonquin Hotel Andrea Marcovicci, skilled vocalist and lively raconteur, is in the middle of a run in the Oak Room. Dining (59 West 44th St, 840 6800).
Michael's Pub New Orleans native Vernel Bagneris intersperses his portrait of Jelly Roll Morton with 16 numbers packed into little more than an hour. Tues to Sat at 21.15 and 23.15 (211 East 55th St, 758 2272).

PARIS

DANCE
Paris Opera Ballet presents Bourmeister production of Swan Lake tonight and Thurs at **Bastille,** repeated Dec 16, 18, 22, 24, 28, 30, 31 (4473 1300). Dec 11-29 at **Palais Garnier:** Jerome Robbins triple bill (4742 5371). *Josef Nadj and Theatre* Jel present two programmes at **Theatre de la Ville** daily till Dec 12, except Sun and Mon (4274 2277).
OPERA
Tomorrow, Fri, Sun, next Tues, Wed at **Theatre des Champs-Elysees:** Lully's Armide *(4720 3637). Tomorrow, Fri,* next Mon, also Dec 17, 21 at **Opera Bastille:** Gounod's Faust with Gösta Winbergh, Paata Burchuladze and Kalien Esperian.Dec 12: first night of Peter Sellars' production of Messiaen's Saint Francois d'Assise (4001 1616). Dec 11-21 at **Bobigny:** *Einstein on the Beach* (4831 1145).
CONCERTS
Jean-Pierre Ramphal plays flute music by Mozart and Rossini tonight at **Theatre des Champs-Elysees.** Sun morning: Christian Zacharias piano recital (4720 3637). Lorin Maazel conducts Orchestre de Paris in La Mer and The Rite of Spring tomorrow, Thurs and Fri at **Salle Pleyel** (4563 0796).
Thurs, next Tues and Thurs at **Châtelet:** cycle of Brahms and Schumann chamber music played by Vogler Quartet (4028 2840).
JAZZ/CABARET
Jazz Club Lionel Hampton Daily till Sat: Texan blues singer and *guitarist Johnny Copeland.* Dec 7-19: Sandra Reaves-Phillips and All Star Jazz Band (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042).

WASHINGTON

KENNEDY CENTER
This week's National Symphony Orchestra concerts take place on Thurs, Fri afternoon and Sat: Mstislav Rostropovich conducts Sallinen's Shadows, Tchaikovsky's Violin Concerto and Sibelius' Fifth Symphony. Fri evening: Mitsuko Uchida piano recital. *Dec 9-20: Joffrey* Ballet production of Nutcracker (202-467 4600).
THEATRE
● Hamlet: Tom Hulce in Shakespeare's play. Till Jan 10 (Shakespeare Theater at the Lansburgh, 202-393 2700).
● Medea: Euripides' tragedy. *Opens Fri, till Dec 20* (Georgetown Theater Company, 301-654 8664)
● T Bone N Weasel: a comedy about race, class and loyalty in the New South. Till Dec 20 (Center Stage, 410-539 3912)
● Arms and the Man: Shaw's 1894 comedy of love, war, pragmatism and heroism. Till Dec 13 (Washington Stage Guild, 202-529 2084).
● A Christmas Carol: Dickens' tale adapted. Till Jan 3 (Ford's Theater, 202-347 4833).
● The Lisbon Traviata: Terrence McNally's tragi-comedy about two gay Callas fanatics. Till Dec 13 (Studio Theater, 202-332 3300).
JAZZ/CABARET
Blues Alley Jazz Supperclub Tonight: Brand X. Tomorrow: John Hart Quartet, guitar. Thurs, Fri, Sat: Junior Walker and the All Stars. Sun: Steve Kahn, guitar (1073 Wisconsin Ave, 202-337 4141).

ZURICH

OPERA
Marjana Lipovsek sings Carmen at **Opernhaus** tomorrow and Sun. Thurs: La forza del destino with Mara Zampieri. Fri: Capriccio. Sat: Die Zauberflote. Next Mon: Mara Zampieri song recital. Dec *20: first night of Jonathan Miller's* new production of Schreker's Die Gezeichneten (262 0909).
CONCERTS
Tomorrow and Thurs at **Tonhalle,** David Zinman opens three weeks of concerts with a programme of symphonies by Bernstein and Brahms.
Sun: Christoph Eschenbach conducts Houston Symphony Orchestra in works by Ives, Prokofiev and Dvorak, with piano soloist Tzimon Barto.
Next Mon: piano recital by Konstantin Scherbakov (206 3434).

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0700-0710, 1230-1240, 2230-2240 FT Business Daily
0710-0730, 1240-1300 (Mon, Thurs) FT Business Weekly – global business report with James Bellini
0710-0730, 1240-1300 (Wed) FT Media Europe
0710-0730, 1240-1300 (Fri) FT Eastern Europe Report
2240-2245 FT Report

Sky News
2030-2100, 2230-2300 FT Business Weekly

SATURDAY

CNN
0900-0930, 1900-1930 World Business This Week – a joint FT/CNN production

Super Channel
0830-0900 FT Business Weekly

Sky News
1130-1200, 1730-1800 FT Media Europe

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1900-1930 FT Business Weekly

Sky News
0130-0200, 0530-0600 FT Media Europe
1930-1400, 2330-2300 FT Business Weekly

FINANCIAL TIMES

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Tuesday December 1 1992

Abuse of market power

THE GOVERNMENT wants to tighten up competition policy in ways consistent with EC legislation. Yesterday, Mr Michael Heseltine, president of the Board of Trade, published a green paper with proposals to outlaw abuses of market power, such as predatory pricing and other anti-competitive practices.

Such abuses are currently investigated by the Monopolies and Mergers Commission, whose remit, unlike that of the EC, covers action against complex monopolies, where several companies with at least 25 per cent of a market behave in anti-competitive ways. British rules also provide a wide range of remedies, including voluntary undertakings to desist from anti-competitive behaviour, price controls and the divestment of a business.

The EC regime is different in that it involves a simpler, one-stage process; where guilt is established, fines can be levied and the offenders sued. Article 86 of the Treaty of Rome prohibits abuse of dominant position – in practice where a company has more than 40 per cent of a market – affecting trade between EC member states. The EC Commission also has greater powers than the MMC to pursue complaints.

The main advantage of the EC approach is its greater deterrent value. Yesterday's green paper offers three options for strengthening the UK system in the light of EC practice.

The first involves beefing up the current approach with additional investigation powers and perhaps creating liability for damages. This, however, would do little to increase the deterrent effect.

The second option would be to switch entirely to the EC approach, prohibiting abuse of dominant position. This would have the advantage of making the UK system congruent with the EC's, with offenders facing fines and the risk of damages. However, anxious not to lose the flexibility and range of the UK approach, the green paper suggests that the new rules might apply where market share exceeds 25 rather than 40 per cent. And the wider range of remedies in UK law, such as divestment and price controls, would be retained.

Option three combines both approaches: an Article 86-type prohibition on abuse of dominant power and retention of the UK powers to investigate complex monopolies.

In theory, this looks the most attractive option: it combines the flexibility of the UK system with EC-style deterrence. The obvious disadvantage is that business would have to deal with two systems in parallel, something which sounds ominously complex.

As Mr Heseltine pointed out, however, it is not only consumers that benefit from tighter competition policy – business also flourishes where abuse of market power is curbed. If UK business feels that any attempt to secure the best of both worlds would involve too much regulation, now is the time to say so.

Helping Somalia

AS SOMALIS continue to die in their thousands and their country descends ever deeper into chaos, leading United Nations members are properly considering how they might intervene to ease the suffering. The need for action to improve the effectiveness of relief efforts is pressing. Nevertheless, the UN needs to tread carefully, both in determining the form of short-term intervention and in defining its long-term objectives.

Mr Boutros Boutros Ghali, the UN secretary general, has made the gravity of the situation clear. In a letter to the Security Council last week he said that attacks, looting and harassment by warlords meant "the humanitarian assistance which reaches its intended beneficiaries is often barely more than a trickle".

The world needs to ensure that shipments of food are protected, convoys escorted and distribution centres guarded so that supplies reach the needy. The existing UN force of 650 troops is clearly inadequate; and even at its projected strength of 4,200 it will be unable to guarantee delivery. That may change if the UN accepts Washington's offer of up to 30,000 troops to support such an exercise, a response to growing public anguish.

But the public must also be prepared to accept the consequences of a "fight to feed" policy. The two warlords who control the capital, Mogadishu, appear prepared to accept intervention. It may be a different matter, however, when their followers find themselves prevented from making an easy living out of extortion. Resistance by rag-tag armies might soon be broken, but the public must realise that US soldiers may have to kill teenagers to keep the aid flowing.

Also to be considered are the objections of several leading aid organisations in Somalia. They oppose intervention, arguing that aid workers may themselves number among the casualties, or run the risk of becoming hostages.

Nor is military intervention on its own likely to provide Somalia with more than temporary relief. Success would be short-lived if the task force then withdrew, leaving Somalia to its fate. The economy is shattered, social structures in ruins, the administration non-existent. Mr Boutros Ghali must make clear that intervention can only be the first step in a broader political and economic reconstruction of the country.

At the outset, that is bound to place a heavy responsibility on outside powers. The logic of the aid effort points to the UN being forced to assume some form of trusteeship for Somalia. Just as important, the Somalis themselves will need to be consulted. A conference outside the country under UN auspices would provide a forum at which prominent Somalis could debate their future and assist in the transition.

Deeper military intervention in Somalia is likely to be risky, but it is a risk worth taking – provided the UN simultaneously takes political and economic action to help the country towards a more stable future.

Going to market

THE LIKELY demise of the Unlisted Securities Market, the USM, tells something about the mood of the times. These days, the high-risk, entrepreneurial image that went with USM membership is the last thing any sensible company boss wants. Better to stay private or aim for a full listing on the stock exchange, with its overtones of mahogany panelling and 19th century sobriety.

In Britain, more than in any other country, small companies have been encouraged to turn to the fully regulated listed stock markets for finance. The USM, though intended as a more lightly regulated version of the main exchange, in practice had rules very like its parent.

Germany, for example, supplies small-company finance primarily through the banking system, rather than through the equity market; and in the US, the sort of companies that in Britain find their way on to the USM or the lower rungs of the main stock market are traded under rules less onerous than those imposed by the traditional exchanges.

The UK's emphasis on stock-market finance – as opposed to the German reliance on debt – stems in part from the need for an equity cushion to protect companies against punishingly unstable economic policies.

It has also come about, however, because the UK has an infrastructure devoted to bringing firms to market – accountants, merchant banks, stockbrokers – but not to providing other forms of finance. When banks did make equity-like loans to small companies, at the peak of the 1980s boom, they charged too little for the risks they were taking and structured the relationships poorly.

If small companies do come to market, they find that their likely investors, large institutions, are only interested in buying sizeable stakes, to justify the cost of the investment decision. Company ownership thus tends to take the pattern of infrequently traded blocks of shares, more like a private placement market than a true public stock market.

All these factors help explain the USM's likely disappearance. With luck, merging it into the main market will push the stock exchange to pay more attention to improving the service it offers to all smaller companies. Another incidental benefit might be a more realistic assessment on the part of small companies about when a listing is appropriate.

Once economic recovery begins, however, and small companies come back into favour, the debate about suitable vehicles for small-company finance will resume. At one end of the spectrum would be the creation of a new USM, a genuinely low-cost, lightly regulated new issues market restricted to professional investors. At the other would be an initiative by some, at least, of the big banks to obtain equity rewards if they are to take equity-style risks in lending. If this debate is brought into clearer focus, the USM will not have died in vain.

Deals cut at this week's Congress of Deputies will determine the fate of Russia's reforms, writes **John Lloyd**

The ball is still in the air

The Russian Congress of Peoples Deputies, which begins today, will be a forum concerned with power: who wields it, and for whose benefit. The underpinning of this struggle, however, is the economy: and it is this which gives the battle its present urgency.

For this is a society and an economy in transition, and thus the way in which its economy develops will determine, to a much larger extent than in a settled country, who wins and who loses; who gets rich and who gets poor; who is the boss and who the worker.

The Congress, with 1,045 deputies, meets in the trough of reform. It meets when the pain is intensifying and little medicine is available. It meets to hear its leading members, most of whom belong to the smaller, permanent parliament, tell the less experienced parliamentarians how best to vote – recommendations which will be based on the deals and agreements which they themselves have cut with Russian President Boris Yeltsin's advisers, or the government.

The most important deal is that between the government and the Civic Union, the centrist grouping led by General Alexander Rutskoi, the vice-president, Mr Arkady Volsky, the president of the Russian Union of Industrialists, and Mr Nikolai Travkin, the leader of the Democratic party. The Union's economists have agreed a document on "urgent measures" which represents substantial concessions on the government's part to the industrial lobby. But no more general agreement on the pace of reform or the shape of the government has been concluded and none is likely to be so, at least not explicitly.

It will, it seems, be left to those deputies who support the Civic Union to determine for themselves how far the government has moved towards its positions. The president and the government must decide how far they have to change, how many ministers must be replaced with representatives of the industrial lobby in order to get a majority, possibly on a day-by-day basis. "We have gone part of the way towards the industrialists," said Mr Andrei Nechayev, the economics minister, yesterday.

There is something familiar about the current crisis: it is rather like the political crisis at the beginning of this year. Then, Mr Ruslan Khasbulatov, the speaker of the parliament, was calling on the government to resign, and Mr Yeltsin was standing behind it ("Anyone can have an emotional outburst," said Mr Yeltsin of Mr Khasbulatov's call). Then, prices had just been liberalised, and people were saying they did not know how they would live: now, prices continue to go up and people say they do not know how they will live. Then, Mr Yegor Gaidar, deputy prime minister, said that privatisation was "the basis of the long-term strategic direction of a profound structural reform". Now, acting prime minister Gaidar says privatisation (only just begun) makes the fury of his conservative industrialist opponents the more furious because they know it will dislodge them from their positions of power over the economy.

In fact, though much has not happened that the government would have wished to happen, this has been a tumultuous year in which important shifts are being registered. The longer-term outcome of the political struggle which will find noisy expression in the Kremlin today depends ultimately on quite how big these shifts have been: how far has the economy of Russia changed, how far is a new market-oriented class in place or hoping to find a place?

The economy is awful. The monthly inflation rate is between 20 and 30 per cent, the budget deficit is subject to so many different accounts that no single figure can be given – but it is probably more than 15 per cent of gross national product. The rouble, which stood at about 170 to the dollar at the beginning of the year, has seen its value fall to about 500 to the dollar. There is no agreement between Russia and the other republics of the former Soviet Union on a common rouble zone, and no agreement between the Russian government and the central bank on the granting of credit. Production continues to fall, and is estimated to be about 20 per cent down on last year.

This is fuel enough for the anti-government deputies today and for the rest of the Congress session. The government's supporters have thinner gruel from which to make a meal, but they can say this: privatisation has been started and, judging from the increase in the resale price for the Rbs10,000 privatisation cheques which are being issued to all Russian citizens, it seems to be gaining in credibility. Russian bankers talk of investment projects, even though they are strapped of funds. The queues are few and (for Russia) short because there are goods in the shop – as the government noted recently in an internal document, the verb *dostat*, a peculiarly Russian word which means to get with difficulty, has been replaced with the verb *kupit*, to buy.

Above all, the march to the market has begun: it is sometimes violent, often criminal. But that open markets exist, and that market behaviour is being studied, adapted and adopted, is now beyond question and probably beyond suppression. "No one talks about non-market reform now," said Mr Alexander Shokhin, the deputy prime minister, recently. "That's one of our achievements."

Politics, too, have changed. Mr Yeltsin's popularity appears, on anecdotal evidence (there have, mysteriously, been few polls recently) to have fallen. He remains dominant but probably no longer unchallengeable: perhaps knowing that, he is working to increase the scope and depth of his authority. His security council, a committee of senior officials run by the tough Mr Yuri Skokov, gradually increases its powers over more and more functions of the government, from defence to the economy. He has been pressed, most of all by the governors he appointed to be his representatives in the various regions, to introduce presidential rule to bypass parliament: he has so far refused to do so.

At the weekend, he proposed to a gathering of his followers that a party should be formed to support reforms: he would be "with this party and in this party". Mr Gennady Burbulis, his perpetual aide, was given the task of organising it. As Mr Burbulis conceives it, it seems to be a party of "the most professional people in every sphere of life". This, in essence, is what the Communist party was – the party of the bosses. No wonder the daily newspaper Izvestia ran a headline yesterday, saying: "Burbulis to become GenSec?" (the familiar shortening of general-secretary, once the supreme Soviet post).

Mr Yeltsin's acting prime minister, now said to be enjoying his arduous job, remains protected. In talks between Mr Gaidar's representatives and those of the Civic Union, the government side has made several concessions, such as extending support to large industrial enterprises. But Mr Yeltsin and his advisers are adamant that they will not surrender the basic philosophy of reform: they will keep their eye steadily on the goal of an open, liberal, largely privately owned economy.

Any account of the past year must reckon that Russia itself has largely been peaceful. It is important to say so, since a year ago the Russian and western media were full of forecasts of civil strife and worse. There have been many alarms – in relations with Ukraine over the ownership of Crimea and the Black Sea fleet; in relations with Moldova over the continued presence of the Russian 14th army on the left bank of the River Dnestr; in relations with the Baltic states over the pull-out of troops. There are wars in the Caucasus (including in the Russian Caucasus) and in Tadjikistan in which Russian troops are engaged.

But these conflicts have either been damped down or are controlled: what has not happened is a Russian army trampling on the rights of other countries. Like the British, the French and other imperial forces, Russia is taking a while to leave the former colonies: so far, it is doing it, and doing it in peace.

Normal economic relations are beginning to be formed between the former Soviet states though Russia has no firm agreements with them on the use of the rouble, on banking or on inter-enterprise payments. It now seems that, wearied after a year of fruitless negotiations on these issues, the Russians are putting up the shutters: from January 1, Mr Gaidar said last week, the Russian rouble will become essentially Russian only; customs posts are already up all round the border; and payment in advance is demanded for supplies of oil. Mr Nazar Suyunov, the deputy prime minister of Turkmenistan, complained last week that "Russia is pushing the CIS apart ... there is not, or there soon will not be, one economic space". Most Russians would regard this as a good thing.

Beyond the former Soviet borders, the world now trusts Russia less than it did. A sharper note creeps in to the discussions and the intensifying contacts with world financial institutions. The $70bn to $80bn foreign debt is barely being paid back: contracts are constantly being changed: political instability remains high. In spite of the best efforts of Goldman Sachs, the US investment bank, hired to assist the Russian government to find investors, no one but the energy companies are excited about the place.

Professor Jeffrey Sachs, one of the government's first foreign advisers, has upbraided western governments and institutions for their lack of vision in seeing Russia and other republics as essential cases for aid if breakdown and security risks and refugees and conflict are to be avoided.

The IMF and the World Bank respond that they have done and are doing a great deal: that most of the $12bn government-to-government credits which made up half of the $24bn IMF package agreed by the Group of Seven leading industrial countries in the summer has been sent; that the IMF itself has put in $1bn; and that the bulk of the rest, the $6bn stabilisation fund, cannot be given because the rouble is too weak and inflation-prone to be stabilised. Yet for the average Russian, and the average Russian deputy, the Sachs point is the more persuasive (if for different reasons): they think the westernisers in the government have been let down by their beloved west. All they got was to be told to have a nice day.

Until Russian politics produces parties and representatives who speak for real interests in society the political scene will remain dominated by personalities and in-fighting.

This is not yet a civil society: representative government is weak and the concept of government-in-waiting is barely known. How will the Congress "go"? With fury; with passion; with anger: but probably without too much effect.

Joe Rogaly

A very British system

The tumbril may be on its way to Mr Norman Lamont, perhaps rightly so. Yet he should not resign over the recent stories about his personal financial affairs. As Mr Kenneth Clarke says, these are plain silly. It is of little interest that Mr Lamont used a credit card to buy £17.47 worth of drink. Whether it was champagne or wine matters even less. If his account was overdue, titch. That is why they are called *credit* cards. Access and Visa would collapse if everyone paid on time. This episode puts the chancellor in a favourable light. It proves that he is not drinking at the taxpayer's expense.

The other matter is hardly more serious. The Treasury paid some £4,000 towards a £23,000 legal bill. The chancellor had discovered that a tenant of his was a "sex therapist". Mr Peter Carter-Ruck's legal firm was brought in to see her off. The use of such a golden sledgehammer to crack a rather small nut would hardly have been necessary if Mr Lamont had not been a prominent minister. Who cares if an ordinary citizen discovers that his or her tenant is a "sex therapist"? It was reasonable for taxpayers to make a contribution. The provenance of the £19,000 from Conservative supporters is murky, but in the absence of evidence to the contrary we must accept that the chancellor does not know who they were.

There is one flaw. Mr Lamont's apparently supine acceptance of the Carter-Ruck invoice shows a lack of fighting spirit. You or I might have sent it back embroidered with the words "you must be joking", or some similar phrase. Even lawyers can be embarrassed into a discount.

None of this need have happened if the chancellor were independently wealthy, or if he were paid more than £63,047 a year. So little? The system is uniquely British. It attracts ambitious politicians, but not for the money. The recompense is an intangible package of non-monetary rewards. Members of the cabinet enjoy power. They are cosseted by officials who flatter them, pack their red boxes and order their chauffeurs. They are called "chancellor" or "secretary of state". They may enjoy, as does Mr Lamont, an official country residence. They can, occasionally with justice, tell themselves that they are doing good for their country. No wonder they feel, and sometimes are, important.

What they do not feel is rich. Many is the minister who has remarked on the civil service habit of withdrawing the official limousine. If your first engagement is Treasury business and your second an address to Conservatives, you may be left stranded in the dusk in outer Manchester awaiting the

Gifts to ministers may purchase the ineffable pleasure of their company – but not very much more

chairman of the local party in a Mini. In his memoirs, The View from Number 11, former chancellor Nigel Lawson says that it took years to persuade the Treasury to contribute to the cost of a cleaner for the flat in Number 11 Downing Street. His wife, Thérèse, tells of how rooms that visitors might enter are adorned with pictures from the government collection, "preferably by British painters". But there are none in the bedrooms or on the upstairs landing, since visitors are not expected there.

At first sight this seems ridiculous, but think. The British system of government is notoriously secretive. We are in the middle of what will at the very least be a 17-year period of rule by a single party, with the likelihood that it will be further extended. The level of corruption is long established and well understood. It is traditional. Not much has changed since Labour was in office. Contributions to party funds are helpful ways of attracting the conferment of honours. The wining and dining of politicians and senior officials is a sensible business expense for companies that wish to express opinions on impending regulations. Privatisation has provided jobs for former servants of the crown who just sat there as huge balloons of wealth rose up beneath them. Sometimes gifts to ministers may be accepted. These may purchase the ineffable pleasure of their company – but not, so far as we can tell, very much more.

This is an essentially English way of nibbling at the fruits of power. By comparison with accounts of what happens in Washington DC it is harmless if not quite squeaky clean. We must keep it that way. Tortuous civil service rules prevent ministers from entertaining personal friends at the state's expense in their official residences. This is part of a web of defences that should assure us that our domestic level of corruption will not spill over. We cannot always rely on whistle-blowers. Our only protection is a magic spell, a cast of mind, that has officials tying themselves in knots every hour of every day in an effort to preserve what they regard as their own purity as custodians of the public interest. That, and our constant, watchful, media-fed suspicion.

As to Mr Lamont, if he cannot regain the markets' confidence in his ability to manage the economy he should be shuffled out of the chancellorship, perhaps to the Home Office. But that is another story.

Boardroom bosses urged to tighten their belts

Recession and the public sector wages squeeze are fuelling demands for restraint in top executive pay, says David Goodhart

Mr Peter Wood, the Royal Bank of Scotland director who has just trebled his annual pay, to more than £6m, believes the only people who will complain about the rise "are ill-informed moaning minnies".

There are, however, a growing number of moaning minnies. And they have recently won some support from Mr John Major, the prime minister. By appealing to senior executives not to award themselves large pay rises during the recession Mr Major unashamedly took the side of public opinion against business's top earners.

Such exhortations to top executives, and the private sector as a whole, to follow the public sector pay squeeze, are unlikely to have much immediate impact.

But over the medium term, pay is affected by factors other than supply and demand; one of those is the prevailing political climate. Executive pay, for instance, rose strongly in the 1980s – as top marginal tax levels tumbled – partly because the government encouraged an increase in differentials between managers and workers.

Some senior executives, such as Lord King, now detect an attempt to reverse the process. He warns: "We must be careful about going back to the awful mistakes of the Heath days. If we want to attract talent we have to be able to pay for it."

But others, such as Mr Chris Haskins, chairman of Northern Foods, would welcome restraint: "Some people deserve the big salaries but others do not. Look at what some of the utilities are paying for jobs that have not changed that much since privatisation."

Mr Haskins and his six fellow directors – including three non-executives – earn less than £500,000 in total; this is about the same as what the chief executive of Unigate receives for running a company less than half the size of Northern Foods and less successful.

Such variations in pay, for executives doing similar jobs in the same sector, abound. In 1991, for instance, the chairman of Fisons earned £343,000, while the chairman of ICI – a company with sales 10 times greater – earned only £499,000.

There are often good reasons for such apparentinconsistencies. Mr Haskins points out that it can be easier to run a company which is both large and profitable than one which is small and struggling. "I always put my best-paid people into the worst-performing divisions," he says.

But such considerations mean that establishing objective criteria for the absolute level of top pay is very difficult. The flood of surveys of executive pay *increases* can also be confusing because they tend to look at a variety of different categories of executive, and they seldom specify the size of company.

Even the question of what should count as remuneration is complex. According to the Noble Lowndes consultancy, basic salary accounts for about 70 per cent of average top executive remuneration in the UK.

Mr Major has unashamedly taken the side of public opinion against business's top earners

Salaries are normally supplemented by annual bonuses, long-term incentives such as share options, and perks such as a car. Arguably, contracts that ensure that executives leave with two or three years' pay when they are dismissed should somehow be included in total remuneration.

Many surveys do not cover bonuses but one that does, by the Monks Partnership found that 43 per cent of chief executives had received no bonus at all over the year to July. Over the same period the basic pay of main board directors rose 7.7 per cent, says Monks, which was slightly above the increase in UK average earnings.

Mr Simon Rodwell of Monks believes that is not an excessive increase. He also claims that, while UK executives caught up with the level of pay of their international colleagues in the 1980s, they are not at the top of the table. The latest Monks study of European directors' pay, found the UK in fifth position this year. US executives are still better paid, although a higher performance element is included in their pay.

But there is cause for concern about UK directors' pay, especially when charted against company performance and other employees' pay. The average chairman of a FTSE-100 company now receives a basic salary and bonus package of about £400,000, with total packages ranging from £148,000 to £6.2m. At the same time, top executives have been increasing their differentials over lower-ranked managers. In addition, according to the pay analysts Incomes Data Services, chief executive pay has risen 324 per cent since 1980, while pay for male manual workers role by 239 per cent.

Even more significant than this widening gap, most of the research on the link between executive pay and company performance has found little or no connection between the two.

An unpublished study of the salary plus bonus of the highest-paid directors in 288 of the UK's top 500 quoted companies has found that the very high pay awards (averaging 20 per cent a year) received by top directors in the recessionary period 1989-1991 "appear to be unrelated to the performance of their companies".

The study, by researchers from the Centre for Economic Performance and the London Business School, did, however, find a strong correlation between growth in sales, often through acquisition, and growth in pay between 1983 and 1991. They say that if directors pay is driven more by size than performance they will have a strong incentive to pursue merger activity "regardless of any benefit to shareholders, workers or the economy as a whole".

Defenders of top directors' pay levels, and increases, make various points about this evidence. First, there is room for argument about whether the study's measurement of performance – share price plus dividend returns – is always, in all companies, the fairest measure of effort and achievement.

Second, some pay increases were the result of three-year bonus schemes which reflected stronger performance in earlier years. Third, executive pay is being distorted by a large catch-up for the chiefs of companies which have moved from the public to the private sector.

But however eloquent the case for the defence, institutional shareholders are again taking a close interest in executive pay. Even where the link with performance is clear – as in the case of Mr Wood – some institutions are asking whether there should be a ceiling on annual bonuses.

Their concerns have found some support from the Cadbury committee on corporate governance which issues its final report today. This will recommend greater use of remuneration committees of non-executive directors to set top executive pay.

Mr Anthony Williams, director of executive remuneration at Hay management consultants, says: "We are advising directors that they should take account of the risk of political and public pressure building up on pay."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

A taxing anomaly ignored

From Mr Jonathan Miles.

Sir, There has been much debate over the last few days over whether the Queen should be liable for income tax.

By contrast there has been remarkably little debate about the minimal levels of taxation payable by European civil servants. The moves towards a single market in Europe make this increasingly anomalous. In addition this results in considerable distortions in the local housing and job markets in Brussels and in Luxembourg, where the difference in net salary levels between the private sector and the European institutions is considerable.

Which is it: subsidiarity in practice or extreme parochialism on the part of the British public?

Jonathan Miles,
315 Route de Longwy,
L-2519 Luxembourg

Housing: time to end tax relief and encourage lettings

From Mr Michael Pattison.

Sir, Oh that the government would act upon your leader, "A new policy for housing" (November 23), which registers your newspaper as another subscriber to the consensus of informed opinion advocating phasing out mortgage interest tax relief.

All the political parties know this is right. Neither the government nor the Labour party has had the political courage to act. Now is far enough from the election and, as you point out, the easiest time to cushion the downside for existing borrowers, with further interest rate falls still in prospect.

It is astonishing that a government which believes in a free-market economy should continue to give preferential tax treatment to one tenure sector and thereby inflate prices of what is a necessity, leaving many aspiring owner-occupiers unable to invest and other people enduring dreadful housing conditions.

An immediate conversion is required. The government could provide adequate financial support for those who need it – the unemployed in danger of losing their homes and those would-be first-time buyers who are the key to stabilising house prices and getting the housing market moving again.

But to spend just £750m moving dwellings from one sector to another, leaving millions in housing capital receipts languishing in local authorities' coffers, will not be effective either in meeting housing needs or stimulating the economy.

Michael Pattison,
chief executive and secretary-general,
The Royal Institution of Chartered Surveyors,
12 Great George Street,
Parliament Square,
London SW1P 3AD

From Mr David Morris.

Sir, With regard to your leader, "A new policy for housing", although it will be some time before statistics show the change, more people are now letting homes than for many years.

Traditionally, residential landlords have been small-time investors. After being driven out by the Rent Acts, they are now returning to the market throughout the UK. Every month they are buying repossessed houses at auction and, after repair, letting them to tenants.

Their return to the sector should be encouraged by the repeal of the Rent Acts which are no longer required as the supply of rented houses is adequate: Landlords could also be helped by tax allowances.

As mortgage interest relief is unlikely to be changed and tenants need to be on a level playing field with mortgagors, why not let them set off rent against tax up to an equivalent amount, say £750?

David Morris,
Flat 3,
9 Lewis Crescent,
Brighton,
East Sussex BN2 1FH

Satellite view of Premier

From Mr Greg Dyke.

Sir, May I draw attention to an inaccuracy about the position of satellite in a recent article by Raymond Snoddy, "Writs fly after dirty work at the crossbars" (November 20), before it becomes accepted as incontrovertible fact. Mr Snoddy says that, in the week beginning September 29, BSkyB had an audience of 500,000 for live Premier League football which, compared with its subscription base of just over 1m, gives viewing figures of nearly 50 per cent.

Mr Snoddy thus confuses household subscriptions and individual viewers. I do not have exact figures for household size of subscribers to Sky Sports, but I would guess it to be between three and four, giving viewing figures closer to one-eighth than a half.

Greg Dyke,
chairman,
Independent Television Association,
Knighton House,
56 Mortimer Street,
London W1N 8AN

Insurance premium for terrorism not measurable

From Mr John Burrows.

Sir, As an insurer I am concerned that Mr Keith Salway (Letters, November 24) considers it "a disgraceful act" to withdraw commercial insurance cover for damage from terrorist action on the mainland.

Insurance risks must be capable of financial measurement and it is impossible to see how a premium for terrorist actions can be calculated here.

To provide cover would cause unacceptably increased premiums. The cost of reinstating the pecuniary interest of the insured in his property for acts of political terrorism should be met by the government out of state funds to which we have contributed.

Only the government can overcome terrorist threats. It is up to us all to help it in this by reporting to the police any suspected terrorists in order to prevent damage by their actions. We may then defeat the malefactors who threaten us.

John Burrows,
Copyhold,
Church Lane,
Bury,
Pulborough,
West Sussex RH20 1PB

Electric-powered transport potentially cleanest

From Ms Jean Aldous.

Sir, Mr Chilton's statement that electric vehicles are inefficient (Letters, November 27) is incorrect, because the vehicle drive system itself is intrinsically the most efficient and cleanest for road transport.

What is true is that our present power generation is dirty and inefficient, but this is changing. Many of us have been working to develop an advanced power source called a "Fuel Cell", which instead of burning fuels, converts them electrochemically, cleanly, quietly and efficiently.

We already have, in Japan and some European countries, fuel cell power-generating plants with efficiency more than 80 per cent and minimal pollutants. Fuel cells are also being evaluated for transport use, where they are expected to be at least twice as efficient in overall energy use as their internal combustion engined counterparts, while causing, according to the US Department of Energy, only 1 per cent of the pollution.

The fuel cell is a proven technology, first developed in the UK by British scientists, and it has the potential to make electric transport the most clean and efficient of all possible in the near future.

Jean Aldous,
European Fuel Cell Group,
Rosedale House,
Rosedale Road,
Richmond, Surrey TW9 2SZ

OBSERVER

German dog-fight

■ A nasty case of sour grapes is ripening nicely in Bonn. Volker Rühe, the ambitious minister of defence, is close to having his plan to scupper the European Fighter Aircraft shot down by his own side.

Rühe thinks EFA is hopelessly expensive for the post-cold war era. However, he's being dragged back into the project by a defence lobby which argues that any alternative would be more expensive, and less German.

In October, it suddenly emerged that Rühe had ordered the two civil servants most closely involved in the project – Hans-Jürgen Weiss, the under-secretary who sits on the EFA steering committee, and Siegfried Hofmann, his deputy, to be shunted elsewhere. It was suggested they had failed to brief Rühe on how difficult it would be to break contracts.

Now it appears that he's ordering their bosses into early retirement, for daring to oppose his wishes. Both Wolfgang Burr and Joachim Heyden, the two deputy secretaries who run the ministry's arms procurement division, are to go next month, according to reliable reports in the Bundestag.

Bonn waits with bated breath. For it transpires that Burr is none other than the former head of Chancellor Kohl's personal office, and the chancellor is known as a man who shows and values personal loyalty.

Opening up

■ Good to see Derek Bonham, the new chief executive of Hanson, stamping his authority on the conglomerate by holding Hanson's first-ever analysts' meeting after this week's full-year results. It is hard to imagine any other Footsie company *not* having a regular analysts' meeting.

Could it have anything to do with the increased influence of the new Mrs Bonham, who in a previous incarnation was Hanson's US investor relations contact? Whatever the reason it is the sort of public relations gesture which doesn't cost much, apart from the hire of a posh hotel like The Lanesborough. It proves that Lords Hanson and White can delegate, but whether they will listen to the feedback from the meeting is another matter.

Case study

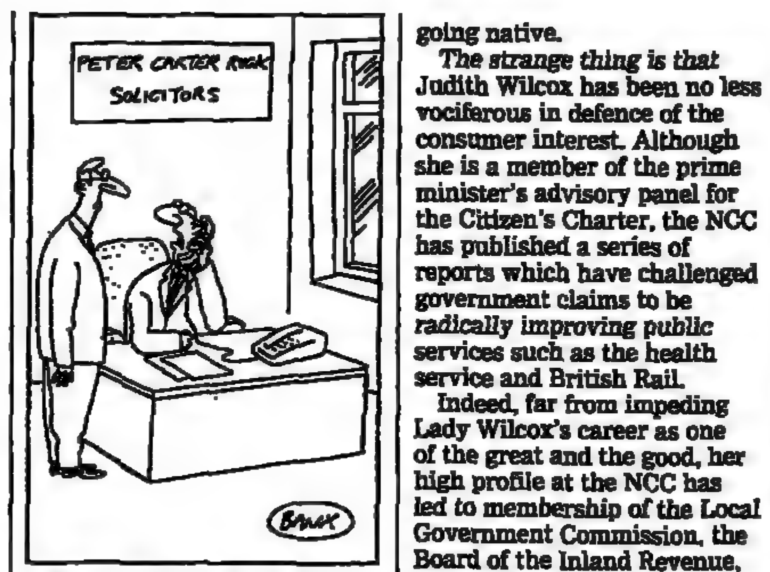
■ The tribal customs of Britain's main public sector trade unions have long been of interest to employers. They are now to be the subject of a formal study by an anthropologist charged with helping smooth the merger of Nalgo, Nupe and Cohse, into the public sector "super-union" to be called Unison.

Dr Alexandra Ourousoff, who has been given the job, says: "It is important to understand the cultures of the organisations because it is so easy for differences in cultural values to impede communication". Perhaps the unions are leading where companies should follow.

Back to base

■ For "black box" read blank box. It was quite a publicity coup for Russian President Boris Yeltsin when he delivered the "black box" of the Korean airliner downed by the Soviets in 1983. But now the Koreans are having second thoughts.

Yeltsin had promised that his "black box" contained the flight and cockpit tapes that would solve the mystery of why the airliner strayed off course over Soviet territory before being shot down, with the loss of 296 lives.



'How much would we charge for drafting a resignation letter'

However, the Koreans have now disclosed that when they opened the "black box", they found that not only was the important flight data recorder tape missing, but that the cockpit voice tapes were copies of the original. And bad ones, at that. Two of the four tapes had been recorded backwards.

Steady helm

■ The reappointment of the glamorous Lady Wilcox as chairman of the National Consumer Council must be a relief for a Labour-founded quango which at times seemed in danger of succumbing to Thatcherite scepticism about its role.

Two previous chairmen sent in to inject a spot of free-market realism into the government-funded consumer watchdog – businessman Michael Montague and ex-MP Dame Sally Oppenheim-Barnes – were moved on fast after going native.

The strange thing is that Judith Wilcox has been no less vociferous in defence of the consumer interest. Although she is a member of the prime minister's advisory panel for the Citizen's Charter, the NCC has published a series of reports which have challenged government claims to be radically improving public services such as the health service and British Rail.

Indeed, far from impeding Lady Wilcox's career as one of the great and the good, her high profile at the NCC has led to membership of the Local Government Commission, the Board of the Inland Revenue, and the Money Advice Trust. She seems to have caught the prime minister's eye.

Wherever next for the high octane woman who proudly proclaims that, where she comes from, "all the men go to sea and the women run the business"?

Lead balloon

■ Do we at last have an explanation of why so many companies in English-speaking countries seem uninspired and leaderless?

"Hundreds of thousands of executives read this little magazine from cover to cover every four weeks," boasts a promotional copy of a pocket-sized periodical called Bits & Pieces, published by the US-based Economics Press. It then adds: "Why? Because it's filled with useful and stimulating ideas to help them lead and inspire their people."

One example of the said ideas is "Nothing is interesting if you're not interested". Another runs "One of the quickest ways to meet new people is to pick up the wrong ball on a golf course".

"Almost as bad as Observer's jokes," said the colleague who passed over the copy.

FINANCIAL TIMES
Tuesday December 1 1992

Offer of shelter to ex-Yugoslav detainees follows German criticism

UK asylum for 4,000 refugees

By Andrew Hill in London

BRITAIN has offered to shelter about 4,000 more people fleeing the former Yugoslav republics, following severe criticism of UK policy towards Bosnian refugees.

The announcement was timed to coincide with a meeting in London of European Community ministers responsible for immigration, defusing German calls for its EC partners to shoulder more of the refugee burden.

Mr Charles Wardle, the UK Home Office minister, told the House of Commons that Britain was willing to offer accommodation to 1,000 former detainees of prison camps and their dependents – a total of about 4,000 people – for an initial period of six months.

Last month Britain offered at an Anglo-German summit to take only 150 former detainees and their dependents. The latest, additional offer compares with Germany's commitment to take 1,000 ex-Yugoslav detainees. Germany already has some 260,000 refugees from former Yugoslavia.

The United Nations High Commission for Refugees has been seeking shelter for 6,600 detainees, mainly from Bosnia, and until last Thursday had found temporary homes for 4,300 – of whom 1,000 would be in Germany, 600 in Spain and only 150 in the UK.

Arriving at yesterday's meeting, Mr Eduard Lintner, parliamentary under-secretary at the German interior ministry, said Bonn was "not very satisfied" with the response of its EC partners to the refugee problem.

"At the moment we get 80 per cent of all asylum seekers within Europe and that's too many," he said.

Yesterday's announcement was also intended to take the sting out of resolutions agreed at the meeting to toughen EC asylum and immigration rules.

The new rules have already been attacked by a number of human rights and refugee protection organisations for allegedly breaking international law.

Resolutions agreed yesterday would accelerate the procedure for dealing with "manifestly unfounded" applications for asylum. Member states are supposed to bring their national laws into line with the new rules by January 1 1996.

Ministers reached broad agreement to accelerate handling of asylum applications which have no substance, or which abuse procedure. Applications from people who had previously applied to another "safe" country would also go through the accelerated procedure. The rules do not specify how long the fast-track procedure should take.

Separately Mr Martin Bangemann, EC internal market commissioner, was unable to persuade Britain and Denmark to agree to give up systematic controls on people at internal EC borders after January 1, 1993.

The Commission is seeking a practical solution to EC members' concerns that controls at external borders will not be strong enough to justify lifting internal passport checks. Britain, insists on maintaining minimal controls on EC visitors to monitor non-EC nationals arriving in the UK from the Continent.

Mölln attack man held, Page 2

Court says Yeltsin right to abolish top bodies but wrong to ban local cells

Communist party trial leaves both sides victorious

By Leyla Boulton in Moscow

RUSSIA'S highest court yesterday closed a long trial of the Communist party with a compromise verdict that made symbolic concessions to supporters of the party without reversing its dismantling by President Boris Yeltsin.

The decision by the Constitutional Court, which said Mr Yeltsin was correct after the August coup to ban the party's top bodies but wrong to ban its local cells, enables both sides to claim victory while sparing Mr Yeltsin damaging charges that he controls the courts. Such charges could have seriously undermined his authority at the Congress of People's Deputies which opens today amid threats by deputies to press for the government's removal.

A political adviser to the government said a few ministers might be sacrificed in the course of negotiations which will continue throughout the Congress with the centrist Civic Union opposition group.

Mr Andrei Nechayev, economics minister, even set out the possibility of Mr Yegor Gaidar resigning in favour of a prime minister who would not interfere with economic policy. He also suggested a technical resignation of the whole government which would, however, amount to little more than a political gimmick.

The court, asked to review the legitimacy of Mr Yeltsin's decrees disbanding the party and confiscating its property, found he was right to dismantle the party's top bodies and take over state property appropriated by the party in its 74-year rule. But it found against his decision to dismantle local party branches and against the transfer to the state of property paid for by ordinary rank and file members.

Mr Valentin Kuptsov, one of the former senior Communists who challenged the president's decrees in the court, said the decision gave the Congress "good grounds" to seek Mr Yeltsin's impeachment. It also cleared the way for the Communist party to reconstitute itself and sue for the return of its property in the courts.

In practice, however, it is difficult to see how party cells can reconstitute an organisation with its top bodies still banned.

As for the property, the lawyers for Mr Yeltsin suggested that none of it would be retrievable in the courts.

● Russia and its western creditors remain divided over how much of the former Soviet Union's foreign debt the country is capable of repaying next year, putting off attempts to agree a debt rescheduling until mid-December. The Paris Club of creditor states is offering a 10-year rescheduling with a five-year grace period which would make Russia pay $5bn next year, while Moscow is saying it can only pay $2.5bn.

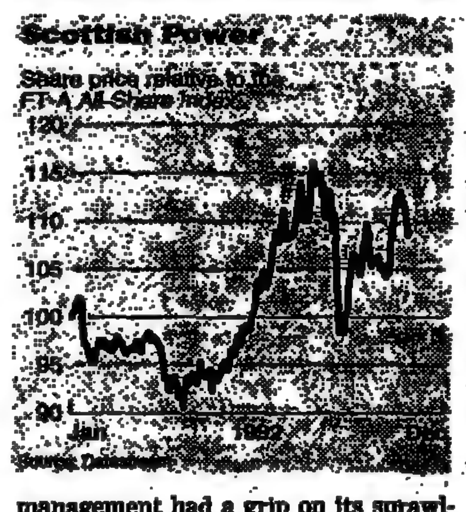
Ball still in the air, Page 16

Valery Zorkin, chairman of Russia's constitutional court, reads the ruling on president Yeltsin's decision to ban the Communist party

THE LEX COLUMN

Money troubles

FT-SE Index: 2778.8 (+18.7)



Could it be that, having called the recovery wrongly so often, the government is going to miss it when it finally appears? An 0.8 per cent monthly increase in M0 a year ago really could have seen the chancellor offering champagne all round. Yet this is more than just a blip. M0 has been rising at a seasonally-adjusted annualised rate of 7.7 per cent over the past three months. Together with more buoyant retail sales and rising inland telephone calls, that points to a slow revival in activity.

The trouble is that it is all a matter of degree. Rising unemployment and falling house prices are still cause for concern. And even those inclined to put an optimistic spin on the money supply still see no reason to alter their expectation that recovery will stay anaemic well into next year. Which is why stronger money supply growth has its worrying side as well.

If this pace of growth continues into next year, M0 will breach its target range of 0 to 4 per cent annual growth. The authorities could then be forced to consider tightening policy before recovery was properly under way. That would be awkward indeed, but it is the natural consequence of sticking to a target first set while Britain was still in the ERM. The price pressures from devaluation may still be modest, but they mean achieving the government's forecast growth of 1 per cent next year would strain M0 to its permitted limit. The target looks a little tight outside the system, but changing it would further damage the government's credibility.

Rosehaugh

Perhaps the decision to turn off Rosehaugh's life-support machine was only a formality. Choosing to flick the switch yesterday still seems a little strange. Banks have been in no rush to crystalise property losses, provided the troubled company does not require large amounts of new cash. Maybe having effectively secured the financing of Rosehaugh Stanhope Developments and ring-fenced its assets they simply regard the low-grade rump of Rosehaugh as a hopeless case.

Whatever the reason, Rosehaugh is unlikely to mark the start of a trend, if only because its blend of assets was such an unappetising mix. Rosehaugh's near-impenetrable web of subsidiary companies and financing agreements is testament to the excesses of 1980s property lending. It seems improbable that the company's management had a grip on its sprawling second and third rate assets. And bank lenders were also far too ready to accept the parent company's judgment on individual projects.

But the decision will further depress sentiment in a sector which has been trying to take succour from lower interest rates. It is also a timely reminder that the banks will not hold on to poorly performing companies for ever. That may eventually weaken the shares of the large property groups if asset values and rental yields continue to slip. It will be even more salutary for those hopefuls who have been driving up the price of property penny stocks. They have little chance of picking up crumbs from the banks' table.

Scottish Power

With coal contracts which last until 1995 already in the bag, Scottish Power can afford to watch the battle over British Coal with an air of detachment. It is vulnerable nonetheless. The threat is not so much that the government might stop it exporting to enable English and Welsh electricity companies to buy more British coal. Scottish Power's exports are also fuelled from domestic coal, so that would hardly solve the problem of pit closures. But with demand at home likely to remain flat through the rest of the decade, Scottish Power badly needs to increase exports.

Better transmission facilities will more than double export capacity to the rest of the UK by the middle of the decade. It will show an attractive return only if Scottish Power can continue to undercut the English generators on price. With the government's energy review still unwritten, the price of electricity in the second half of the decade looks deeply uncertain. The company may not be as indifferent to the outcome of the review as it would like the market to think.

Yesterday's interim figures suggest Scottish Power can keep pace with the sector for now simply by taking out costs. Its involvement in every stage of electricity from generation to transmission and supply arguably leave it more open to regulatory interference. There could be an appeal to the monopolies commission next year, for example, if the company gets a bad deal on transmission prices. Having been privatised on less attractive terms than its southern neighbours, Scottish Power has less to lose. With the market starting to focus on recovery, though, the limited downside will not support the shares for long.

Hong Kong

It is easy to make out a bear case for Hong Kong equities. The market has finally begun to register disquiet over political developments: witness yesterday's 3 per cent drop after China objected to plans for a new container terminal. That is not all. Sino-US trade relations may be even more strained under the Clinton administration and any increase in US interest rates as that economy recovered would have to be matched in Hong Kong.

These are all reasons to expect a pause in the upsurge that has seen the Hang Seng almost triple since its low after the Tiananmen Square massacre in 1989. But it may be wrong to assume the market has reached a turning point. After all, US interest rates would have to move sharply higher before Hong Kong rates ceased to be negative in real terms. China may object to Mr Chris Patten's democracy proposals, but its post-Tiananmen interference with the airport project did little to thwart the regional economic development on which Hong Kong's prosperity – increasingly depends.

So long as the democracy quarrel rages, the main risk to equities may well be on the downside, making HSBC look particularly canny to have timed its recent offering to coincide with the peak of the market in early November. Investors with anything more than a short-term horizon may perceive a buying opportunity – providing the regional economy does not race ahead so fast that China is forced to slam on the brakes.

Ukrainian nuclear reactor ignores safety to boost output

By Chrystia Freeland in Kiev

AUTOMATIC SAFETY systems have been switched off at a Ukrainian nuclear reactor three times in the past year. Such violations bear resemblance to the mistake which led to the disastrous 1986 nuclear accident at Chernobyl, safety officials in Kiev said yesterday.

The most recent shutdown was discovered on November 11 by Mr Anatoli Demianenko, deputy head of the Ukrainian Atomic Energy Inspection Agency, who made a surprise visit to the Pivdennoukrainsk nuclear reactor, 150km north of Odessa.

"There is such chaos at that reactor that they themselves could not explain why the systems were shut down," Mr Demianenko said.

Mr Volodymyr Yavorivsky, chairman of the parliamentary commission on Chernobyl, described the safety systems shutdown as "the most serious and criminal violation possible at a nuclear reactor".

According to Mr Yavorivsky, the safety systems were shut down to boost power production.

Mr Yavorivsky said that Ukraine needed to reconsider seriously its reliance on atomic energy, which accounts for 25 per cent of the republic's energy consumption. Although public opinion in Ukraine is strongly against nuclear power, the republic's break with Russia has precipitated an energy crisis which has made the government reluctant to close its reactors.

One of Chernobyl's four reactors was restarted last month after six months of repair work and has been reconnected to Ukraine's power grid.

Last week, the Atomic Energy Inspection Agency submitted a letter to the cabinet requesting that Mr Volodymyr Fuks, director of the Pivdennoukrainsk reactor, be sacked.

Ukrainian officials said the cabinet had not decided on the director's future. According to insiders, Ukraine's powerful anti-nuclear lobby has a grudge against Mr Fuks, a stalwart of the Ukrainian nuclear industry.

Rosehaugh property group calls in receiver

Continued from Page 1

the start of this year.

Rosehaugh's best-known asset, the Broadgate office complex in the City of London, is not directly affected by its receivership. It is owned by a subsidiary, Rosehaugh Stanhope Developments, which last week secured its future through a refinancing of its £1.25bn debt.

That refinancing triggered the decision to put the rest of the company into receivership.

The decision by Rosehaugh's 26 banks to put the company into receivership contrasts with their agreement, at the start of this year, to refinance Rosehaugh's £310m of loans until January 1994.

In June 1991, Rosehaugh had net assets of £164m. In the year to June 30 1991, it reported losses of £227m, which followed losses of £166m the previous year.

Apart from Rosehaugh Stanhope Developments, Rosehaugh's principal asset is Pelham Home, a developer which partly owns a large housing scheme in Essex, southern England. In addition, Rosehaugh owns commercial, retail and residential properties throughout the UK.

Stanhope Properties, which jointly owns Rosehaugh Stanhope Development with Rosehaugh, yesterday said its position was unaffected by Rosehaugh's receivership. It said it believed that its bankers, led by Barclays, would agree to extend its £165m facility before the end of the year.

Lord Sharp, Stanhope's chairman, is to become chairman of Rosehaugh Stanhope Developments. Two other independent directors will also be appointed to the board.

World Weather

		°C	°F
Ajaccio	S	18	64
Algiers	S	18	64
Amsterdam	S	12	54
Athens	S	17	63
Bahrain	S	23	73
Bangkok	C	29	84
Barcelona	S	16	61
Beijing	S	10	50
Beirut		-	-
Belfast	F	9	48
Belgrade	[illegible]	[illegible]	[illegible]
Berlin	[illegible]	[illegible]	[illegible]
Biarritz	[illegible]	[illegible]	[illegible]
Bombay	[illegible]	[illegible]	[illegible]
Bordeaux	[illegible]	[illegible]	[illegible]

		°C	°F
Boulogne	S	13	55
Brussels	S	12	54
Budapest	S	5	41
Buenos Aires	R	23	73
Cairo	F	21	70
Cape Town	S	24	75
Caracas	R	29	84
Casablanca †	S	18	64
Chicago †	C	0	32
Cologne	S	15	59
Copenhagen	C	4	39
Corfu	F	16	61
Dallas †	S	2	36
Dublin	[illegible]	[illegible]	[illegible]
Dubrovnik	[illegible]	[illegible]	[illegible]
Edinburgh	[illegible]	[illegible]	[illegible]
Faro	[illegible]	[illegible]	[illegible]
Florence	[illegible]	[illegible]	[illegible]

		°C	°F
Frankfurt	C	12	54
Geneva	Fg	6	43
Gibraltar	S	19	66
Glasgow	R	9	48
Helsinki	Dr	-1	30
Hong Kong	S	25	77
Innsbruck	F	8	46
Inverness	F	8	46
Islamabad	F	20	68
Istanbul	R	8	46
Jakarta	R	32	90
Johannesburg	F	29	84
Lisbon	C	17	63
London	[illegible]	[illegible]	[illegible]
Los Angeles †	[illegible]	[illegible]	[illegible]
Luxembourg	[illegible]	[illegible]	[illegible]
Madeira	[illegible]	[illegible]	[illegible]
Madrid	[illegible]	[illegible]	[illegible]

		°C	°F
Majorca	S	18	64
Malaga	S	22	72
Malta	F	20	68
Manila	C	32	90
Melbourne	S	17	63
Mexico City	F	21	70
Miami †	S	13	55
Milan	C	10	50
Montreal †	C	3	37
Moscow	Sn	-17	1
Munich	S	12	54
Nairobi		-	-
Naples	S	18	64
Nassau	[illegible]	[illegible]	[illegible]
New Delhi	[illegible]	[illegible]	[illegible]
New York †	[illegible]	[illegible]	[illegible]
Nice	[illegible]	[illegible]	[illegible]
Nicosia	[illegible]	[illegible]	[illegible]

		°C	°F
Oporto	F	16	61
Oslo	C	0	32
Paris	S	14	57
Prague	C	2	36
Reykjavik	S	1	34
Rhodes	R	15	59
Rio de Janeiro	C	30	86
Rome	S	18	64
Salzburg	S	11	52
S'Francisco †	S	7	45
Seoul	S	13	55
Singapore		-	-
Stockholm	C	4	39
Strasbourg	[illegible]	[illegible]	[illegible]
Sydney	[illegible]	[illegible]	[illegible]
Tangier	[illegible]	[illegible]	[illegible]
Tel Aviv	[illegible]	[illegible]	[illegible]

		°C	°F
Tenerife	F	22	72
Tokyo	F	15	59
Toronto †	F	1	34
Tunis	F	20	68
Valencia	S	19	66
Venice	S	12	54
Vienna	Fg	1	34
Warsaw	F	4	39
Washington †	S	1	34
Zurich	C	6	43

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday December 1 1992

INSIDE

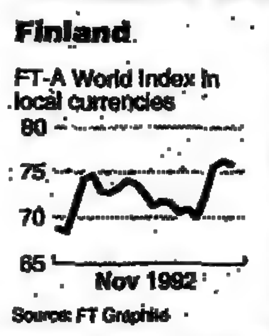
Itoman falls prior to merger agreement

Itoman, the Japanese trading house, reported a pre-tax loss of Y8.5bn ($70m) for the first half, as its executives yesterday signed a merger agreement with the Sumitomo group that will dissolve the company in March. Itoman, founded in 1883, is the best-known company to fall victim to the collapse of Japan's financial bubble. Page 22

Fox needs cunning

Fox has proved to be a singularly inappropriate acronym for the Futures and Options Exchange, which trades London's soft commodity contracts. Far from showing the traditional cunning of its namesake, London Fox appears to have loped off in totally the wrong direction. In the year to the end of last March the exchange reported a loss of £691,000 on revenues of £10m. Page 28

Turbulence affects trading



Continued turbulence in European currency markets was again the main trading influence on bourses last week, while good economic news from the US and a strong performance from Japan lifted sentiment elsewhere. The FT-A World Index rose 1.2 per cent in local currency terms. Finland stood out with a positive improvement in very high turnover. Back Page

Cars for the future

Mr Richard Holder, new chairman of Reynolds Metals, the second-largest of the US aluminium companies, is steering his company towards more business from carmakers. "Even a conservative forecast says to us that in five years the average will be 350lbs of aluminium per car [in the US], up from 170lbs last year," he says. Page 21

UK launches $3bn Eurobond

The UK government is launching a $3bn ten-year Eurobond, the biggest-ever international dollar bond issue. The bond is expected to be priced to give a yield of between 22-25 basis points over the comparable US Treasury bond, which the Bank of England said represents very fine pricing. Credit Suisse First Boston and S.G. Warburg Securities are joint lead managers.

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				**Rises**			
Rises				Autoli Ent	404.7	+	19.2
Asko	575	+	43	CGIP	958	+	46
Daimler	547.5	+	15.2	Coparex	615	+	26
Hertz	296	+	19	Ecco	382	+	16
Mercedes	426	+	15	Unibail	424	+	19
Falls				**Falls**			
AG Ind	421	–	14.9	Damart	3060	–	90
DLW	430	–	16	**TOKYO (Yen)**			
NEW YORK ($)				**Rises**			
Rises				Catsonic	479	+	44
AGCO	10¼	+	1¼	Daikyo	770	+	74
Digital Equip	33¾	+	1⅜	Hitachi Med	1890	+	180
IBM	68	+	2⅛	Konami	2680	+	400
Neiman Marcus	18⅞	+	1¼	Shin Yei	176	+	17
Falls				**Falls**			
Ambac	42⅛	–	2⅜	Okano Valve	505	–	39
Amdahl	7	–	⅞				
PARIS (FFr)							

New York prices at 12.30pm.

LONDON (Pence)				Pegasus	117	+	17
Rises				Pentland	125	+	8
Arcon Ind	48	+	5	Psion	98	+	12
Burndene	201	+	11	Rhino Group	30	+	5½
Cannon St Invs	8¾	+	2½	Stanley Leis	167	+	15
Clarkson (H)	73	+	12	Telemetrix	76½	+	6½
Domestic & Gen	983	+	33	**Falls**			
Erskine House	75	+	5	In Shops	50	–	5
Ewart	58	+	10	Savoy A	538	–	50
Expamet	49	+	8	Speyhawk	11½	–	2
Fenner	74	+	8	Stanhope Props	11	–	6½
Hartstone	215xd	+	16	Tomorrows Leis	23	–	10
Leeds Group	512	+	23				
Lloyds Chem	266	+	14				
Manders	221	+	20				

Ciga may sell hotels in debt shake-up

By Haig Simonian in Milan

CIGA HOTELS, the luxury international hotel group controlled by the Aga Khan, will unveil a new debt restructuring scheme later this week.

Borrowing by the company rose to L820bn ($588m) at the end of June, up from L737bn in December 1991, after poor earnings and continuing heavy expenditure on modernisation.

Ciga has grown from a predominantly Italian group into one of the world's larger hotel chains following a string of acquisitions. However, a bunching of purchases, expensive modernisations and declining profits owing to the Gulf war and recession have pushed it into the red. The group lost L58.8bn in the first half of this year after losing L98bn in 1991. The new restructuring plan, decided at a board meeting last Wednesday, will involve disposals and refinancings to improve the group's debt profile. In May, Ciga agreed with its bankers on a rescheduling programme which allowed for the suspension of interest payments.

The company also plans to sell some of its best-known hotels. Although no names have been released, the hotels for sale are believed to include the Des Bains on the Lido in Venice and others in Milan, Rome and Florence.

Mr Claudio Miorelli, a Ciga official, said no disposals had yet taken place. Further information may come later this week. He confirmed Ciga had more than L1,000bn of assets at the end of 1991 to counterbalance its debts.

Although occupancy rates have improved from the depressed levels after the Gulf war, the group remains hit by the economic slowdown. Ciga hotels, many now lavishly restored, are among the most expensive in Italy.

"We have done relatively well compared with many other hotel groups," said Mr Miorelli. At the operating level, Ciga's profits improved to L14.6bn in the first half of 1992, compared with an operating loss of L8.9bn in the same period a year earlier. However, he admitted that occupancy rates in the usually busy months of October and November were "not as good as we would have liked".

Ciga is not the only part of the Aga Khan's Italian business empire to be feeling the pinch. Fimpar, the overall holding company, reported a loss of L65bn in 1991, up from L15.3bn the previous year, on sales which fell by 6.5 per cent to L461bn.

Vanessa Houlder charts the UK developer that was the epitome of its times

Receivers move into Rosehaugh's properties

Rosehaugh, the property developer that yesterday went into receivership, was the epitome of its times. From a standing start at the beginning of the 1980s, it expanded with a verve and ambition that helped it reach into nearly every corner of the UK property market.

At the same time, its reckless expansion and over-borrowing exposed it to the sharp downturn in property values of the past three years. From a peak of £746m ($1.13bn) in July 1987, its market value has eroded to nothing.

Yesterday's appointment of receivers was the final stage in a slow lingering death, rather than a sudden blow. As huge losses heaped up over the past three years, it became clear that the company had no future.

The company's former chairman and driving force, Mr Godfrey Bradman, resigned from the board at the start of this year, leaving its remaining management to work out its debts.

As one of its bankers put it, yesterday's announcement merely puts the company in the hands of official, rather than unofficial receivers.

The way forward for the receivership was cleared last week, when a £1.25bn refinancing was agreed for Rosehaugh Stanhope Developments, the subsidiary that owns the Broadgate complex that is Rosehaugh's main asset.

The 26 banks had been reluctant to push RSDH into receivership as a rapid sale of some £1.25bn of assets would depress the property market and the return on their loans. But having ring-fenced RSDH, they felt there was little point in keeping the rump of Rosehaugh intact.

The banks argued that receivership would cut administration costs, which ran to more than £10m last year. In particular, it would allow Rosehaugh to pull out of the lease on its head office in Marylebone, on which it pays rent at twice the market rate.

Without RSDH, Rosehaugh is just a mixed assortment of minor commercial, residential and retail property schemes – much of which is unlet – around the country. It has sold some of the £190m of property it held in June 1991, but progress has been slow. The only significant part of its portfolio is Pelham Homes, a land bank developer which is part owner of Chafford Hundred, one of the UK's largest housing developments in Essex.

The wide ranging interests of Rosehaugh are a reflection of its former chairman and architect, Mr Bradman, who is one of the most idiosyncratic figures in the property industry.

Mr Bradman, an accountant, was one of the most successful taxplanners of the 1970s before he moved into the property industry. He was also a prominent public figure, as chairman of Friends of the Earth and a crusader for causes such as lead-free petrol and freedom of information. He is now pursuing developments in eastern Germany.

Under his leadership, Rosehaugh was one of the most influential companies in the property sector in the 1980s, both in its developments and in its financing techniques.

Its flagship development was the office complex it built with Stanhope Properties at Broadgate in the City of London, one of the most prominent developments to be constructed in the 1980s.

With Broadgate, Mr Bradman pioneered the use of non-recourse loans within the UK. These loans, which were commonplace in the US, allowed the borrower to confine the security on a loan to specific assets, rather than the parent company. Thus, it allowed relatively insubstantial companies, such as Rosehaugh, to undertake large developments.

In spite of Mr Bradman's fascination for finance, Rosehaugh was not noted for tight financial controls or a sophisticated approach to risk.

In 1986 Mr Bradman was reported to have said: "You can lose as much on a small development if it goes wrong as on a major project, but the upside is not nearly as exciting."

In the second half of the decade, Rosehaugh expanded in all directions, setting up dozens of subsidiaries to develop everything from inner city sites in Birmingham and the London Docklands to land in Arizona.

Mr Bradman's confidence in the UK economy blinded him to the risks of a downturn. Borrowings were left largely uncapped as Mr Bradman believed that interest rates were heading downwards. The company remained dependent on trading profits and failed to secure a rental income that could cushion it when the market turned down.

The result was that Rosehaugh was the first large property company to show the strain in the early months of the property downturn. Its problems were clearly signalled when it announced a £125m rights issue in February 1990.

Its difficulties were also highlighted during the prolonged merger talks last year with Stanhope, the co-owner of RSDH. Rosehaugh's financial weakness was one of the main reasons the merger talks were finally called off. Stanhope, which is conducting talks about its own refinancing, yesterday said its position was unaffected by Rosehaugh's receivership.

Bankers were keen to play down the implications of Rosehaugh's receivership for the rest of the property market. The rump of Rosehaugh's property, estimated by analysts at £100m, will result in a relatively small amount of new property on the market. "It won't create a wall of property to be disposed of," said one.

Nonetheless, the receivership of one of the best-known UK property companies has an ominous message for other financially pressed companies. For many companies that are now being kept afloat by their bankers, their eventual receivership is a matter of not if, but when.

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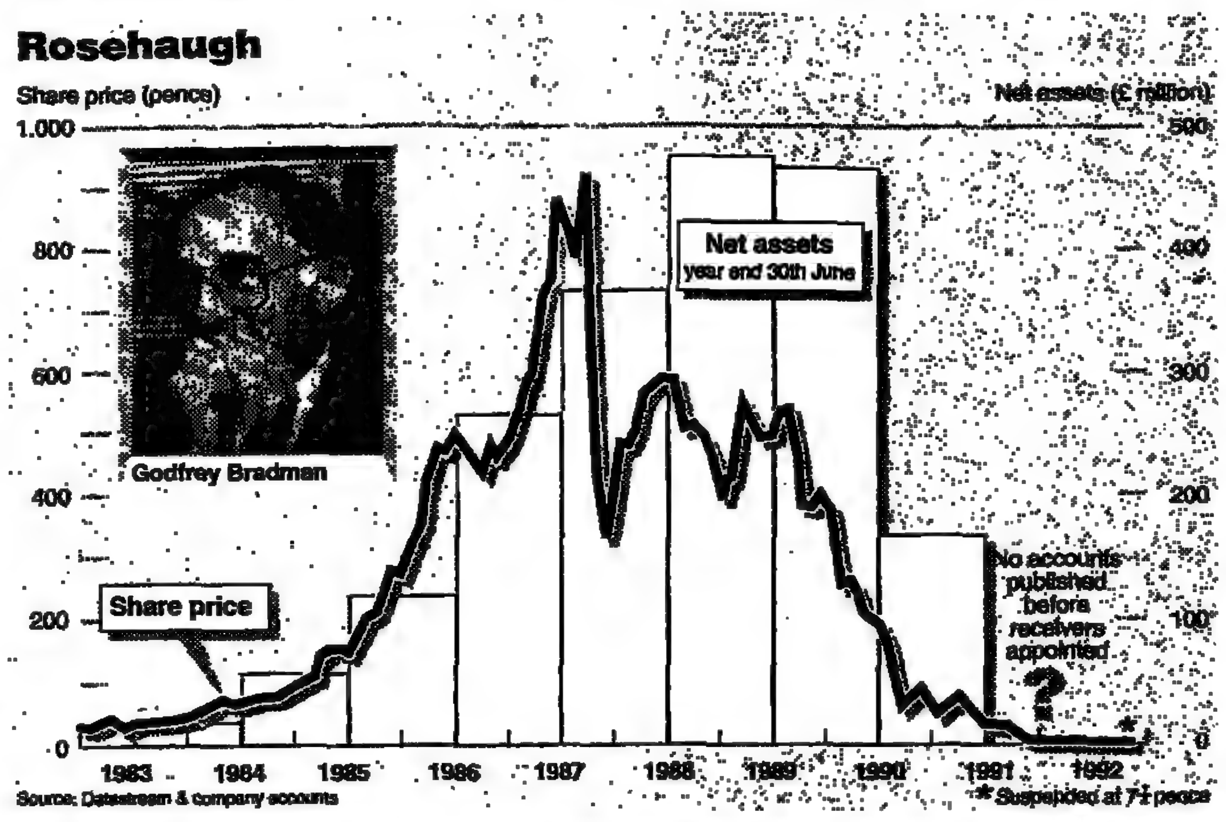

The receivership has an ominous message for other pressed companies

Adidas sale gives Pentland £47m gain

By Angus Foster in London and William Dawkins in Paris

PENTLAND, the UK-based sporting goods distributor which last month pulled out of negotiations for the purchase of sports shoe maker Adidas, has sold back its interest in the company to Bernard Tapie Finance (BTF) SA, the holding vehicle for the controversial French businessman Mr Bernard Tapie.

Pentland said it made a pre-tax profit of about £47m ($71m) on the investment and related foreign exchange gains.

Mr Stephen Rubin, chairman, said he was disappointed the Adidas takeover had failed but "delighted" the stake had been sold at a profit.

In August last year Pentland paid £46m for 20.05 per cent of BTF GmbH, the German holding company which owns 95 per cent of Adidas. In July this year it said it would buy the remaining shares in Adidas from Mr Tapie's holding vehicle. But three months later it halted the process claiming it had discovered "serious problems" which were never spelled out, apparently because of confidentiality agreements.

The sale back to BTF frees that company from certain restrictions imposed when Pentland took the 20 per cent stake. Pentland's stake carried 25 per cent of the voting rights and also gave Pentland first right of refusal for any sale of Adidas shares.

Mr Tapie was believed to be short of cash and a spokeswoman for BTF was unable to comment on how the deal was financed. BTF was left with a FFr900m ($166m) cash surplus after its asset disposals in August.

Pentland's stake was sold back for £61m, giving a pre-tax profit of about £13m after acquisition and disposal costs of about £2m. The company also made a pre-tax profit of £34m on foreign exchange dealings carried out in expectation the full acquisition would go though. The profits mainly stem from the rise in the D-Mark compared with sterling following the UK's withdrawal from the ERM.

Profits on the deal take Pentland's net cash holding to more than £300m.

The shares gained 8p to 125p. A London analyst said this rise reflected relief that the sale of the stake to BTF removed the possibility of recrimination between the two parties.

Bang & Olufsen cuts 400 jobs and restructures to survive

By Hilary Barnes in Copenhagen

BANG & OLUFSEN, the manufacturer of high quality television and audio equipment, yesterday announced a plan to cut costs and reorganise the group in an attempt to ensure its survival.

Another 400 jobs are to go, including 80 in sales subsidiaries abroad. This means that by the end of the fiscal year on May 31, group employment will be reduced by more than 20 per cent to about 2,400 from 3,143 at the end of last year.

The measures will reduce costs by about DKr160m ($25.9m) a year. This would allow the group to move out of the red even if sales fall back to DKr2bn from last year's DKr2.23bn, Mr Anders Knutsen, chief executive, said.

"Many have predicted our demise, but we are still here, and we shall continue to be here in the future as well," he said.

A main objective of the changes is to reorganise the European sales operation, reducing the total employed but increasing the number engaged in active selling. The group's product strategy, based on high-quality products with exclusive design characteristics, will remain unchanged but the range will be increased by introducing some lower-priced products.

The group expects a loss of DKr50m in the half year to end-November and forecasts a loss for the full year. In the two latest years the group lost DKr101m and DKr45m, reduced to DKr31m and DKr74m by minority shares.

Former Harland Simon chairman buys back into main subsidiary

By Angus Foster in London

MR ROY ASHMAN, former chairman of the collapsed control systems company Harland Simon, has bought back into one of the company's main subsidiaries through a management buy-out.

Mr Ashman provided financial backing for the buy-out of Harland Simon Control Systems, maker of process control equipment for the newspaper industry. The company was bought from receivers Touche Ross. No price was released.

Mr Tony White, a Harland manager who co-lead the buy-out, confirmed Mr Ashman's role. "He is giving us financial backing to a certain extent," Mr White said. He refused to comment on the level of Mr Ashman's backing, although he said Mr Ashman was not the only investor.

Mr Ashman's involvement in the buyout has angered some of Harland Simon's institutional shareholders. They believe he is at least partly to blame for the company's collapse. Harland went into receivership in October and shareholders are unlikely to recover much of their investment.

Roy Ashman: giving financial backing for management buy-out

Mr Ashman resigned from Harland in February after the company released a profits warning. Before the warning, analysts expected Harland to make profits of about £12.5m for last year. Instead, Harland announced losses of £6.3m.

Harland had enjoyed rapid profits growth but this was fuelled in part by highly questionable financial procedures, according to documents in the possession of the Financial Times.

Mr Ashman received a £365,000 pay off when he resigned and later received his full pension entitlement of £960,000 from the company's pension fund.

Control Systems, which was the original core to the Harland Simon group, is to be renamed Harland Simon Limited – its original name. Mr Ashman is a non-executive director of the acquiring vehicle. Mr White said Mr Ashman "could well" be a non-executive director of the renamed company.

Mr White said he and another manager, Mr Jim Reynolds, would run Control Systems.

But former Harland managers doubted Mr Ashman would remain a passive investor. "He's a very hands-on person," one said.

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German banks buy Chartered WestLB stake

By David Waller in Frankfurt

WESTDEUTSCHE Landesbank Girozentrale (WestLB) and the Südwestdeutsche Landesbank (SüdwestLB), two of Germany's leading public sector banks, are paying Standard Chartered £26.3m ($39.75m) to buy the 50 per cent stake in Chartered WestLB which they do not already own.

The London-based Chartered WestLB, which specialises in pan-European corporate finance, was founded in 1989 out of the combination of Standard Chartered's merchant banking activities with those of WestLB, one of Germany's biggest and most aggressive banks. A few months later, SüdwestLB took a stake in the new venture.

The two German institutions said the purchase would enable them to expand Chartered WestLB's merchant banking activities and to integrate the common businesses more effectively. The sale of the stake would allow Standard Chartered to concentrate on its core commercial banking business, the statement said.

Chartered WestLB, which apart from its London headquarters has branches in Berlin and Düsseldorf, home of WestLB, is active in advisory business, mergers and acquisitions, project, export and special finance. At the end of last year its balance sheet assets stood at £1.7bn and for 1991 it made an after-tax profit of £14.6m, which it is expecting to match in the current year.

The existing worldwide co-operation agreement between the two German banks and Standard Chartered will not be affected, although in future the main area of co-operation would be foreign commercial business, they said yesterday.

The transaction, which takes effect at the beginning of the year, will leave 75 per cent owned by WestLB and the balance by SüdwestLB, the bank for the state of Baden-Württemberg.

The stake is currently owned via WestLB's WestLB Europa subsidiary in which SüdwestLB has a holding.

First merger in Polish banking completed

By Christopher Bobinski in Warsaw

BANK IG, one of Poland's larger private banks, yesterday took over the lossmaking Lodzki Bank Rozwoju (LBR), the first merger in the sector since the government began reforming the industry three years ago.

LBR, a private bank set up in 1988, was heading for bankruptcy, with a loss over the past two years of 191.7bn zlotys ($12m). The central bank, which took LBR back under its control in November 1991, approved the merger. It said other small and weak private banks which had sprung up since 1989 should also merge.

Bank IG will pay 29bn zlotys for a new issue of LBR shares, giving it 99 per cent of the voting rights.

Bank IG is one of two banks in Poland whose shares are quoted on the Warsaw stock exchange. It will be taking over LBR's 24 branches and a 1,118bn zlotys loan portfolio of which 903bn zlotys is overdue. Deposits are valued at 1,021bn zlotys.

● Poland's central bank has given the Pioneer First Polish Trust Fund, the country's only foreign-owned mutual fund, permission to invest 10 per cent of its assets abroad.

Pioneer First Polish is part of the Pioneer Group which is based in Boston in the US. Previously, it invested Poles' savings in local Treasury bonds and stocks on the fledgling Warsaw stock market.

The move provides Poles with their first opportunity to legally invest their savings abroad. At the moment, private capital investment by individuals abroad requires special permits from the central bank.

Foreign insurance companies such as AGF and Commercial Union who have joint ventures in Poland are still waiting for permission from the central bank to invest some premium income abroad.

Dutch put the wraps on the competition

Ronald van de Krol and Paul Abrahams on the latest merger in the paper industry

The creation of Europe's second largest paper and packaging group through the merger of three Dutch paper groups, Koninklijke KNP (KNP), Bührmann-Tetterode and VRG-Groep, is the latest example of consolidation within the industry.

Swedish companies have been particularly active in consolidation during the last three years. SCA, Europe's biggest, acquired Reedpack of the UK for £1.1bn ($1.66bn), while Stora, Europe's largest paper group, bought Feldmühle Nobel of Germany. Meanwhile, Kymmene of Finland acquired La Chapelle-Darblay, France's main producer of newsprint, and Arjomari-Prioux, the French group, merged with Wiggins Teape Appleton, the Anglo-US company.

The consolidation is being partly driven by the need to build increasingly large plants. A world-scale competitive paper plant now has a capacity of at least 200,000 tonnes a year and sometimes more than 300,000 tonnes, explains Mr Denis Christie, paper, pulp and packaging analyst at James Capel. Each 100,000 tonnes of capacity costs about £100m, so competitive mills are only available for all but the largest groups.

In addition, paper groups need to be larger to serve the entire European market. Mr Klaas de Kluis, the chairman of VRG and future vice-chairman of the new company, said that the group needed wide geographic coverage to meet the servicing and distribution needs of thousands of small to medium-size printers and other customers throughout Europe.

A more immediate trigger for yesterday's merger announcement may have been the bleak outlook for the sector. Massive overcapacity and slowing growth rates in most paper grades have hit European prices and margins.

The merger is also partly defensive: KNP has been the object of considerable interest from other groups, including Arjo Wiggins Appleton, the Franco-British company.

The three merger partners were at pains yesterday to emphasise that the link-up would produce a powerful new Dutch industrial grouping. This will undoubtedly prove popular in the Netherlands, where worries have arisen recently over the sale of industrial "crown jewels" to foreign buyers, such as the planned sale of a 51 per cent in Fokker, the aircraft maker, to Daimler-Benz of Germany.

The Netherlands, with its weak anti-monopoly tradition, is unlikely to raise objections to the mooted deal. However, the attitude of the European Commissions' merger task force will be more important and sceptical than that of the Dutch authorities. According to some analysts, the combined group will dominate as much as 90 per cent of the European solid board market, used to package fruit and similar products.

The merged company will be by far the largest paper merchanting group in Europe. It will also be Europe's biggest producer of coated papers, inheriting the position built up by KNP in one of the fastest growing areas of the paper market, and it will also hold commanding positions in certain sectors of the cardboard packaging market. Europe accounts for 80 per cent of the turnover of both BT and VRG, while 90 per cent of KNP's annual production is sold on European markets.

The groups say they have an annual paper and packaging turnover of Fl 13bn ($7.23bn), compared with Fl 15.3bn at Stora, Fl 10.1bn at SCA and Fl 8.2bn at Arjo Wiggins.

The company will have two businesses of roughly equal size. The first is an industrial group bringing together KNP and Bührmann's paper and packaging manufacturing operations. The second is a trading and distribution group comprising all Bührmann and VRG's activities in the fields of graphic paper and graphic systems distribution, as well as information systems and office products.

However, analysts expressed concern about the strategy behind the merger. "It doesn't seem that logical given what the groups have said in the past," says Mr Christie.

He says Bührmann had always said it was an independent paper merchanting company not tied to any one manufacturer. The concern is that other mills would be less willing to use the new company because they were KNP's competitors. Meanwhile, KNP appeared to have reversed its strategy of ridding itself of its paper merchanting arm which had previously been integrated into VRG.

A further concern is the graphic equipment business. Bührmann sells Heidelberg printing equipment in eight European countries, while VRG distributes products of its main rival MAN-Roland. Mr Mads Asprem, paper analyst at Morgan Stanley, says it is inconceivable the new company would be able to distribute both.

Nevertheless, company officials played down suggestions that the German groups may seek alternative agents, noting that the Dutch companies' workforces were specially trained to install and repair the German equipment. At the same time, Bührmann alone sells some 30 per cent of what Heidelberg produces, making a switch to another agent unlikely.

The main benefits of the merger will be rationalisation, say analysts. "This is a very bureaucratic structure. There is now a significant layer of management which needs to be cut to achieve synergies," says Mr Christie at James Capel.

Mr Asprem at Morgan Stanley says, "Given there is no sign of an immediate turnround, the only way to improve margins is to cut costs."

However, the groups yesterday were anxious to play down the possible redundancies that might help them compete against the Swedish groups which have rationalised heavily in recent years.

Outokumpu reorganises lossmaking copper unit

By Christopher Brown-Humes in Stockholm

OUTOKUMPU, the Finnish mining and metals group, yesterday announced a reorganisation of its copper operations and said it was speeding up rationalisation to return the unit to profit.

The group says the moves should improve Outokumpu Copper's operating profit by FM200m ($38.9m) next year and, even if market conditions remain tough, should get the unit back into profit from mid-year. Outokumpu Copper is Outokumpu's largest division and has suffered losses for the past three years.

The streamlining, due to take effect on January 1, concentrates Outokumpu Copper's operations on four business areas: tubes, strip, drawn products and rolled products.

The group is planning to scale back its operations in Spain and Sweden. It will cut 400 staff in Spain, concentrated at Zaratamo tube plant. At Västeras in Sweden, loss-making electrostrip production will be phased out and the workforce cut by 200.

Outokumpu Copper, which last year posted a FM497m deficit, will make another big loss this year, aggravated by FM300m of restructuring costs in the final four months.

Ahold defies weak dollar with 6.1% profit advance

By Ronald van de Krol in Amsterdam

AHOLD, the Dutch food retailer with half its sales along the US east coast, reported a 6.1 per cent rise in net profit for the third quarter, despite the dollar's weakness.

Net profit rose to Fl 66.7m ($37m) from Fl 62.9m a year ago, when the dollar stood 15 per cent higher than in the most recent quarter. Had the dollar not declined, net profit would have risen by a further Fl 5m, the company said.

Sales in local currencies were higher in both the Netherlands and the US, where Ahold owns four supermarket chains. But the lower dollar meant that group turnover fell to Fl 4.8bn from Fl 5.0bn.

In the Netherlands, where Aholds operates Albert Heijn, the biggest supermarket chain, sales rose 4.5 per cent to Fl 2.4bn. US sales increased by 3.3 per cent to $1.4bn.

Operating profit fell to Fl 110.6m from Fl 112.0m, again reflecting the effect of the lower dollar. In local currencies, Dutch operating profit was up 14 per cent at Fl 47.8m, while US results posted a 6.2 per cent gain to $38.3m.

Ahold's nine-month net profit stands at Fl 220.3m, an 8.1 per cent rise on the same period of 1991.

Atlas Copco buys back Craelius

By Christopher Brown-Humes

ATLAS Copco, the Swedish tool manufacturing group, is acquiring Craelius, one of the world's leading manufacturers of equipment for core drilling, grouting and trenchless pipe-laying.

It said it was re-buying a company it originally sold in 1979 because it felt there was now a wider range of applications for its products.

Craelius, being bought from the Belgian company Diamant Bart on undisclosed terms, has annual turnover of SKr300m ($44.06m), with sales in more than 100 countries.

Solvay acquires stake in Japanese drugs specialist

SOLVAY, the Belgian chemical group, has acquired 96 per cent of the shares in Kowa Yakuhin Kogyo of Japan, agencies report.

Kowa, a specialist in the production, development and distribution of human health drugs in Japan, had sales of around Y5bn ($24m) in 1991.

Solvay said the acquisition would allow it to market its pharmaceutical products directly in Japan, which represents around 20 per cent of the world market.

The Belgian company is indirectly present in Japan through products sold under Solvay licences by several Japanese companies, which represent annual sales of around Y9bn.

Solvay has also been active through the Solvay Meiji Yakuhin joint venture, set up in 1989, which has been developing a number of Solvay research and development projects including the antidepressant fluvoxamine which will be launched in Japan in 1996.

Solvay shares closed BFr100 higher at BFr11,150 on the Brussels stock exchange.

Terms of the acquisition were not disclosed.

Solvay said Kowa Yakuhin, which had turnover of about Y3bn in 1991, was preparing to launch a "promising product" in the field of urology.

Pepsico will take $125m charge for restructuring

By Nikki Tait in New York

PEPSICO, the US soft drinks, restaurants and snacks group, is to take a $125m charge against fourth-quarter earnings to cover the restructuring of its domestic beverage operations, along with "several international operations".

The company said the restructuring of the domestic beverage division related primarily to the management structure there, and had already been outlined in the quarterly filing with the US Securities and Exchange Commission.

Pepsico declined to elaborate on which international operations were involved in the overhaul.

However, it said that the annual cost-savings from these changes should be around $150m.

The company combined news of the restructuring charge with an announcement that it intended to adopt two non-cash accountancy changes.

These will also primarily affect earnings during the fourth quarter, although both changes will also have a small impact on future earnings.

The first change relates to Statement of Financial Accounting Standards (SFAS) 106, which deals with the treatment of retirees' health benefits, and will involve a one-off charge of $575m before tax (or $357m at the net level, equal to 44 cents per share).

The second deals with SFAS 109, which relates to income taxes, where the one-off charge will be in the range of between $400m and $550m after tax, or 49 to 68 cents per share.

Pepsico said the size of the SFAS 109 charge reflected the significant increase in intangible assets stemming from the large number of acquisitions that the company had made recently.

In terms of 1992 operating results, SFAS 106 will decrease net income by around 4 cents a share, while SFAS 109 will add 2 cents a share.

In 1993, the effect of SFAS 106 should be fully offset by the positive impact of SFAS 109.

The company added that its "earnings momentum continues to be very good", with solid cash-flow.

Pepsico shares eased $1/4 to $40 3/4 early yesterday.

GE Capital acquires US trailer leasing unit

By Nikki Tait

GE CAPITAL, the financial services subsidiary of General Electric Company of the US, is acquiring the over-the-road trailer leasing business of Transamerica, a west coast-based financial services conglomerate.

The deal involves the purchase of around 19,000 Transamerica Leasing units, valued at about $300m, by Transport International Pool, part of GE Capital.

GE Capital said yesterday that this would take TIP's fleet size to around 62,000 units.

It would also "increase GE Capital's investment in the highly diversified and profitable asset management segment of its portfolio."

Transamerica said the transaction would allow it to focus on "established" product lines, and on certain new businesses which it is trying to build up, including over-the-road trailer leasing in Europe.

Its Transamerica Leasing subsidiary is based in White Plains, New York State, and leases transportation equipment ranging from containers and chassis to rail trailers.

● Fluor, the US engineering and construction services group, has approved a plan to divest its lead business, Doe Run Co. It will in future account for the lead segment as a discontinued operation, Reuter reports. This will result in a charge to 1992 net earnings of about $95m, including Doe's operating loss of about $17m after tax.

Reynolds drives for more carmaker business

The new chairman of the US aluminium group explains his strategy to Kenneth Gooding

STEERING his company towards more business from the carmakers is a top priority for Mr Richard Holder, new chairman of Reynolds Metals, the second-largest US aluminium company.

It is conceivable, he says, that by the end of the decade Reynolds' transportation business, which generates a turnover of about $500m a year, will be as big as the group's packaging operations are today – and they bring in about $3.5bn.

"Sure, there is a big question mark about how much aluminium is going to be used in cars.

"But even a conservative forecast says to us that in five years the average will be 350lb of aluminium per car [in the US], up from 170lb last year," Mr Holder points out.

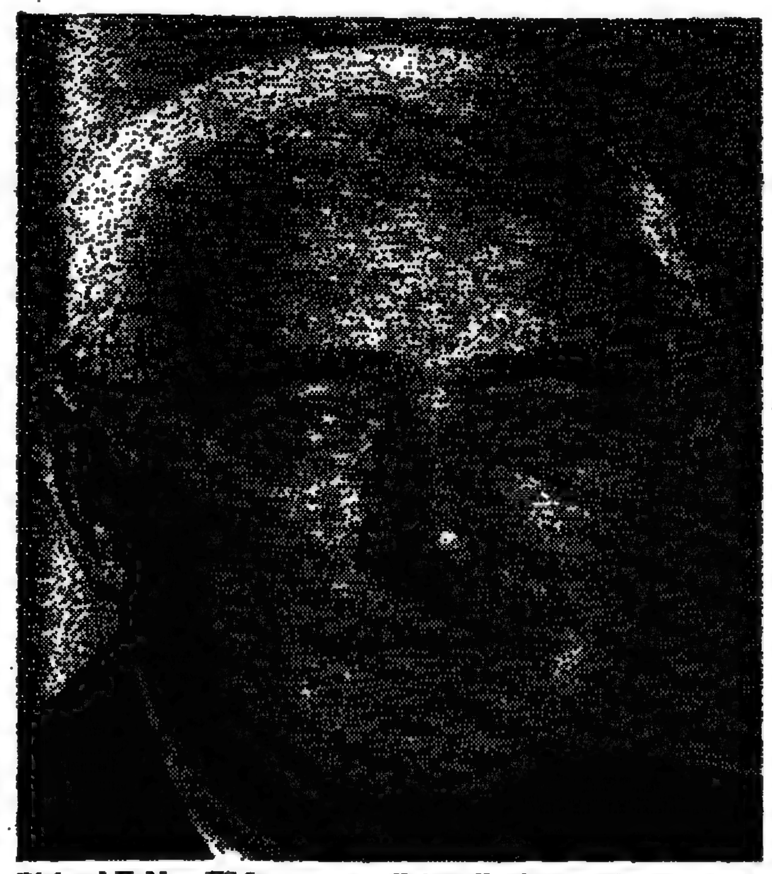
If the motor industry decides to make substantial numbers of cars from extruded aluminium space frames – skeleton-like structures – or starts to use aluminium for body panels, the 350lb a vehicle estimate will be left far behind.

Reynolds recently gave the go-ahead for a $26m plant at Auburn, Indiana, where it will produce aluminium extruded components for the motor industry – components such as bumper systems, door intrusion beams and sunroof tracks.

Mr Holder points out that Reynolds will make a better return on its aluminium by producing such components.

The company has 28 automotive-related plants around the world, and technology to be used at the Auburn plant was developed in the Netherlands.

As part of the scramble by aluminium companies worldwide to prepare for the motor industry boom, Reynolds in April signed an agreement on joint automotive research with Mitsubishi Aluminium and Sumitomo Light Metal Industries of Japan.



Richard Holder: US forecasts predict 350lb of aluminium per car

MR Holder has been with Reynolds for 39 years. He was chief operating officer from 1986, so his appointment as chairman and chief executive in succession to Mr Bill Bourke, who retired in April, was expected.

He and his board have acted swiftly to sharpen the focus on Reynolds' core operations.

Before he had settled in the chairman's seat, the Eskimo Pie ice cream business (acquired from a bankrupt customer in the distant past) had been sold.

Alrelco, which supplies secondary (scrap) aluminium to automotive die casters, was put up for sale and the aluminium cable operations sold to BICC, the international cables and construction group. The latter deal included a provision for Reynolds to supply BICC with competitively-priced aluminium rod for 15 years.

Mr Holder says that, "at the right price," Reynolds' gold business and its property development division would also be sold.

Reynolds now has the capacity to generate about two-thirds of the aluminium it needs from its own plants and that is enough for now, according to Mr Holder.

"We would rather put our investment dollars strategically into end-use markets where margins [of profit] are higher," he says.

Reynolds and Mitsubishi of Japan have quietly shelved an aluminium smelter project in Venezuela, but the US group is still committed to providing technical assistance for a smelter which is being built in Nigeria.

That project is making slow progress because the Nigerian government, which is financing the scheme, is short of cash.

Mr Holder suggests there is still plenty of growth left in the packaging business.

In the US, aluminium has virtually replaced steel for canned fizzy drinks, but growth will come from increasing use of aluminium in other areas of the packaging market.

Outside the US, the aluminium beverage can revolution has only just begun. Reynolds also expects to win more international business for its other packaging products.

The group's Reynolds Wrap aluminium foil has nearly 100 per cent retail distribution in the US, and at the end of the 1980s the group capitalised on this by acquiring more packaging companies.

Mr Holder says that, now these have been successfully digested, more packaging purchases are on the cards.

Mr Holder has taken over at a time when Reynolds is battling through a severe recession in the industry. But, he points out, Reynolds is in far better shape than in the last recession at the begining of the 1980s.

His predecessor, Mr Bourke, was recruited from Ford Motor to overhaul Reynolds.

The company shut down three high-cost US aluminium smelters, bauxite mines in Jamaica and Arkansas, and the workforce was cut by one-third to 27,000 (subsequent acquisitions took it back to 31,000). That rationalisation cost $600m.

REYNOLDS recently completed a $3bn, five-year capital spending programme, which, among other things, gave it a great deal of low-cost aluminium smelting capacity in Canada.

Mr Holder says the group will spend an average of $300m to $400m annually over the next three years, "depending on the way the economy is going."

Reynolds aims to be "cash neutral", if possible – to cover expenditure by internally-generated funds – and to keep its debt-to-equity ratio in the "low 30s."

Mr Bourke set Reynolds a target of a 20 per cent return on equity, averaged over the economic cycle.

Mr Holder, an aluminium rather than a motor industry man, says the new board has yet to set a target, but "15 per cent is probably more realistic."

Canada's PWA halts payments to lenders

By Robert Gibbens in Montreal

PWA, parent of Canada's second-biggest airline, has halted payments to lenders and has sent teams as far as Tokyo to try to sell a full restructuring plan.

PWA said its fully-owned Canadian Airlines International would continue to operate as usual and travellers would not be affected. Operating suppliers and trade accounts would continue to be paid, as would fuel taxes and its 17,000 employees.

Canadian is in a battle for survival with its rival, Air Canada. The two carriers are losing about C$2m (US$1.6m) a day between them.

"We are confident creditors will see the advantages of our plan," said Mr Rhys Eyton, PWA chairman. "We will emerge a stronger and more effective global competitor".

PWA has received a C$50m federal loan guarantee following Ottawa's acquisition of three Airbus 310 aircraft from Canadian Airlines. Executive pay has been cut 20 per cent, fares raised by 5 per cent, and nearly C$15m in annual interest costs have been saved through conversion of debt to equity.

American Airlines, itself going through a round of lay-offs, earlier offered to buy 25 per cent of PWA for C$246m if Canadian switched to its Sabre reservations system.

However, a statement from PWA made no mention of an equity deal. "We will soon announce details of the partnership with American, a significant marketing alliance," it said.

Under revised bankruptcy laws, PWA has six months to win agreement from its banks, led by the Royal Bank of Canada, and other creditors for the restructuring. PWA's total debt is estimated at nearly C$3bn, including C$350m lease obligations for aircraft. Three western provinces have been asked for C$100m in loan guarantees.

● American Airlines has laid off 286 managers and 380 others will leave voluntarily as part of a $300m cost-cutting plan announced last month, Reuter reports from Dallas.

Confederation Life to raise C$100m with 10-year issue

By Robert Gibbens

CONFEDERATION Life, Canada's third-largest life insurance company with C$26bn (US$20.25bn) of assets under administration, plans to raise C$100m with a 10-year public subordinated debenture issue.

A new federal Insurance Companies Act enables mutually-owned companies to use the public markets to raise regulatory capital.

Previously, insurance companies that were owned by their policyholders had to use special subsidiaries in order to raise new outside capital.

Confederation Life has a relatively high exposure to property investment.

In 1991 it provided C$155m for mortgage and other losses.

The new issue is rated double-A in Canada and single A-plus by Standard & Poor's, the New York-based credit ratings agency.

May Stores considers rival $55m bid for shoe group

By Nikki Tait

MAY Department Stores, the St Louis-based retailer that includes the Payless shoe store chain, said yesterday that it had asked the board of Morse Shoe to provide information on a proposed merger with J. Baker, the footwear group, and that May might be willing to make a rival offer of $55m for Morse Shoe.

The company said that the purpose of acquiring Morse would be to step up its presence in the north-eastern US generally and in the New York area in particular.

May said that, if the bid went ahead, it would be an all-cash offer. This is in contrast to the J. Baker proposal, and would not be contingent on financing arrangements, due diligence requirements, or any other major conditions.

May already operates around 3,500 shoe stores through he Payless chain, in addition to some 320 department stores.

Argentinian oil company quintuples net profits

By John Barham in Buenos Aires

YPF, Argentina's national oil company, has reported 1991 net profit of $245m, more than five times its income the year before, despite a heavy fall in sales revenues.

Sales fell to $4.03bn from $5.17bn the year before, although the two figures may not be directly comparable.

YPF is due to be privatised in 1993. Its sharply-improved performance is due both to a radical downsizing to prepare it for sale and to tighter management. A YPF official said the 1991 accounts had been held up by congressional delay in approving the YPF privatisation bill, which became law last month.

The company has shed its marginal oilfields and is selling off loss-making subsidiaries, ranging from a tanker fleet to part of its refinery capacity.

The government also sacked YPF's previous politically-appointed management and handed control over to oil industry professionals.

Mr Jose Estenssoro, YPF president, has tripled reserves, cut operating costs by a quarter and boosted oil output by 15 per cent. He also halved the workforce at a cost of more than $600m, financed entirely out of cash-flow.

Indian group launches global equity offering

By Sara Webb

GRASIM Industries, the Indian cement, textiles and fibre manufacturer, has launched a $90m global depositary share offering. It is the second Indian company to tap the international equity markets this year, and a stream of other Indian names are expected to launch international offerings in the coming months.

Grasim's share offering has had a bumpy start. The deal was originally scheduled for June, but lead managers Citicorp and Merrill Lynch were forced to pull the issue as the unfolding drama of the Indian financial scandal halted trading on the Bombay stock exchange. The Bombay exchange remained shut for several days, and the lead managers said they were reluctant to proceed with the issue during the traditionally quiet summer months.

In addition, some international investors expressed annoyance at the way in which Reliance Industries, the first Indian company to tap the capital markets, conducted its international offering in May. Shares in Reliance suffered a sharp fall after the global offering, and many investors were annoyed when Reliance increased the size of the issue from $100m to $150m, as this reduced the opportunities for investors to make gains.

Grasim priced its offering on Friday at $12.98 per GDS – representing one share with a nominal value of Rs10 – and at a discount of 18 per cent to the price of Grasim shares trading in Bombay. Citicorp said it was quoting the shares at $13.00 to $13.25 yesterday, compared with a trading price in Bombay equivalent to $15.09.

The issue has been sold mainly to emerging market funds run from the US, London and Hong Kong, and to wealthy non-resident Indian investors.

Grasim, which is part of the Birla group, will use the proceeds to help expand its viscose staple fibre and cement operations.

ABSA boosts interim dividend

AMALGAMATED Banks of South Africa (ABSA), South Africa's largest banking group, yesterday announced a 14 per cent advance in net earnings to R293.8m ($97m) for the six months to September, Reuter reports from Johannesburg.

Earnings per share rose from 45.4 cents to 51.9 cents, and the bank is stepping up its interim dividend from 15.5 cents to 17 cents a share.

ABSA was formed in 1991 when United Building Society, the country's largest building society group, acquired the assets of three major banking groups – Allied Group, Volkskas Group and Sage Financial Services.

Earlier this year, ABSA acquired Bankorp Holdings (Bankorp), another South African bank, for R1.3bn.

Absa said a year-on-year comparison of income was completely comparable as the September 1992 results took into account the contributions of Bankorp.

Mr Herc Hefer, chairman, said the group was expected to continue to perform satisfactorily in the current six months, even though no significant economic recovery was anticipated.

Group bad debt provisions increased 91 per cent to R420.1m at September. The increase came from the application of provisions for all advances acquired through the Bankorp merger and the prolonged recession, Mr Hefer said.

Samsung to list subsidiary on Budapest bourse

By John Burton in Seoul

SAMSUNG Electronics' Hungarian subsidiary is to list its shares on the Budapest bourse early next year – the first time a local incorporated subsidiary of a Korean company has issued stock on a local exchange, according to Samsung.

Foreign borrowings by Korean companies are tightly regulated by Korea's Ministry of Finance, although they are usually allowed to raise funds abroad for foreign subsidiaries.

Kuwaiti banks to raise capital by rights issues

COMMERCIAL Bank of Kuwait and al-Ahli Bank of Kuwait are raising new capital through rights issues in an effort to expand liquidity and improve capital ratios, Reuter reports from Kuwait.

Commercial Bank will offer shares worth KD30.55m ($101m) on a three-for-four basis. The group will issue more shares worth $34m as well as any shares which the shareholders do not offer to buy.

The financing moves will raise the bank's paid-in capital to $317m from $181m.

The share are expected to be priced at a 30 per cent supplement on the nominal price of the shares.

The rights offer will start within a few days and last one month.

Al-Ahli Bank is to increase its capital to KD75.56m ($252m) from KD50.37m by giving shareholders the right to new shares on a one-for-two basis.

The al-Ahli issue is at an earlier stage than that of Commercial Bank. It is awaiting formal approval by the government and publication in the official gazette.

Brighter prospects for Bond creditors

By Bruce Jacques in Sydney

BOND Corporation, former flagship of Australian entrepreneur Mr Alan Bond, yesterday changed its name to Southern Equities Corp, and gently raised creditors hopes.

Mr Ian Ferrier, joint administrator, said he was optimistic that the company could raise sufficient funds to meet a repayment to creditors due before the end of the year, forestalling liquidation.

Mr Ferrier, who has been administrator of a scheme of arrangement at the former Bond Corp. since late 1991, nearly a year after Mr Bond was forced to resign as chairman, told the annual meeting in Perth that the company's future depended on its ability to realise assets quickly.

The company's main asset is a damages claim against the West Australian government over a failed petrochemical plant. Other assets include property around Perth.

Meanwhile, the Federal Court in Sydney has brought down a judgment which could give the trustee of Mr Bond's superannuation fund access to the assets of the fund. It court found in favour of the fund's trustee, Mr Robert Ramsay, who had sought access to the fund, Investors Retirement Fund, on behalf of creditors.

● Shares in joint venture companies in the Porgera gold mine in Papua New Guinea (PNG), were heavily sold off on Australian stock exchanges yesterday after weekend news that the PNG government was seeking increased equity in the operation.

The mine is owned 30 per cent each by Placer Pacific, Renison Goldfields Consolidated and Highlands Gold, but PNG's prime minister, Mr Paias Wingti, has stated he intends to lift the government's equity from 10 to 30 per cent. Shares in all three Australian listed partners hit lows for the year, with Placer shares down 18 cents to A$1.27, Renison off 18 cents to A$2.71 and Highlands losing 16 cents to A$75 cents.

Itoman ends half-year in the red

By Robert Thomson in Tokyo

ITOMAN, the scandal-tainted Japanese trading house, reported a pre-tax loss of Y8.5bn ($68.5m) for the first half as its executives yesterday signed a merger agreement with the Sumitomo group that will dissolve the company in March.

The trading house, which made a profit of Y1.5bn for the six months to September, said sales fell 10.2 per cent to Y265bn, while a Y39.7bn provision for loan losses led to an after-tax loss of Y45.6bn.

Itoman, founded in 1883, is the best-known company to fall victim to the collapse of Japan's financial bubble. The company was undermined by a mid-1980s diversification into stock and property speculation, and by massive purchases of art works whose prices also plunged.

The provision for loan losses is to cover loans to Itoman Finance and a string of other, financially-troubled, subsidiaries which were the vehicles for some of the company's unwise excursions into the resort market and property-related lending.

For the full year, Itoman's last year of existence, the company expects sales of Y540bn, down 6.3 per cent, and a pre-tax loss of Y17bn, against a profit of Y1.5bn last year.

More write-offs and provisions will lead to an after-tax loss of Y90bn, following a profit last year of Y23.4bn.

At the close of the year, Itoman will be absorbed by Sumikin Bussan, a metal trader and a member of the Sumitomo group, which has taken responsibility for cleaning up the mess at the trading house. Itoman still has an extensive international network, and is strong in Asian trade in food, textiles and machinery, providing the unlisted Sumikin with a far broader business base.

Under the agreement signed yesterday, five Itoman shares will be swapped for one Sumikin share, and the Sumitomo company will take control of all Itoman employees in March.

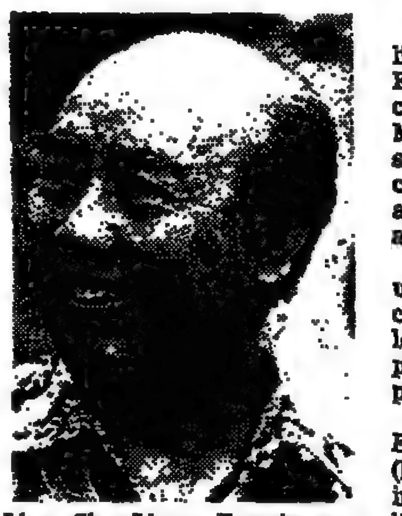
In the meantime, Itoman will attempt to sell its Osaka headquarters to cover some of its outstanding debts and those of its ailing subsidiaries.

Sumikin Bussan is an affiliate of Sumitomo Metal Industries, a core company of the Sumitomo *keiretsu*, or corporate group. Sumitomo Bank was a lender to Itoman, and had transferred staff to the trading house during the era of excess in the late 1980s and, later, in a vain attempt to salvage the debt-stricken company.

At the height of its speculative life in 1990, Itoman was estimated to have outstanding debts of Y1,300bn, and the troubles at the trading house were a cause of the fall of Mr Ichiro Isoda, forced to resign that year as the chairman of Sumitomo Bank.

Plan for industrial park in China

By Kieran Cooke in Kuala Lumpur



Liem Sioe Liong: Teaming up with Singapore groups

LIEM Sioe Liong, controller of Indonesia's biggest business group, is teaming up with Singapore government companies to develop an industrial park in China.

The first phase, costing an estimated $190m, should be completed by early 1994.

Mr Liem heads the Salim group, a conglomerate with an estimated annual turnover of more than $8bn. The group is involved in a range of activities, from cement to property.

He will team up with two Singapore state companies, Singapore Technologies Industrial Corp and Jurong Environmental Engineering, to develop, supervise and market the industrial park. It is situated in Fujian province, on China's coast.

Two of Singapore's biggest listed companies, United Industrial Corp (UIC) and its subsidiary, Singapore Land, are involved in the project.

Also participating is Mr Wee Cho Yaw, head of United Overseas Bank (UOB), one of the island republic's top banks.

Mr Liem has had a controlling stake in UIC since 1991. Earlier this year he sold a 9 per cent stake in UIC to the UOB. Mr Liem has been actively pursuing projects in several Asian countries and has a considerable financial presence in Singapore.

Singapore has recently been urging its generally cash-rich companies to be more outward looking and invest overseas, particularly in China's fast-expanding economy.

The Singapore government's Economic Development Board (EDB) said the Fujian province industrial park would attract light and medium industries from Taiwan, Singapore, Hong Kong and Japan, as well as multinational corporations.

The EDB added that the park would provide investors with a low-cost manufacturing centre for exports and a base for sales into China's growing domestic market.

Interest in Turkish food sector rises

By John Murray Brown in Istanbul

CORN PRODUCTS, the US group which owns the Knorr brand name, has bought out its local Turkish partner in the latest move by foreign companies to move into Turkey's food and beverage industry.

The US company paid $5.5m for 40 per cent of Besan, owned by Koc Holding group, Turkey's largest industrial company. Koc is disposing of a number of interests to focus on core activities like motor and consumer electronics.

Bankers say there is a growing foreign interest in the Turkish food and beverage market, notably the manufacturing, retail and distribution sides. Unilever recently acquired control of the Komili edible oils group after a fierce battle for market share. Cargill of the US purchased Yanikoy, a local glucose manufacturer.

In food retailing, Koc has established two outlets in Istanbul with Prisunic, the French food stores company. Carrefour, the French hypermarket group, is also considering investment in Turkey.

Turkey's privatisation agency offered in November to sell its 93 per cent share in Gima, the state-owned chain of food stores.

Pemex signs $100m trade finance facility

By Stephen Fidler

PETROLEOS Mexicanos, Mexico's state-owned oil company, has signed a $100m trade finance facility with a group of international banks.

Bankers say the financing, led by ANZ International Merchant Banking and Chemical Bank, is the second syndicated loan facility signed by Pemex since Mexico's debt rescheduling in 1982. The first was a $100m trade financing facility this year led by Chase Manhattan.

The maximum margin of the new facility – to finance the import or to prefinance exports of oil products – is ⅞-point over London interbank offered rates (Libor). The borrower can also use the sterling bankers' acceptance market, which might mean below Libor funding if swapped into dollars.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 01.12.92 Pool purchase price £/MWh	Final Prices for trading on 23.11.92 Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.87	20.32	20.32
0100	24.11	22.17	24.01
0130	24.11	32.61	34.91
0200	24.11	32.61	34.83
0230	23.96	22.51	24.29
0300	23.38	22.51	24.30
0330	23.38	20.35	20.35
0400	18.26	20.32	20.32
0430	17.87	17.72	17.72
0500	17.87	17.72	17.72
0530	18.26	17.72	17.72
0600	18.26	17.72	17.72
0630	17.99	20.32	20.32
0700	23.16	23.59	25.47
0730	23.16	23.59	25.46
0800	23.16	23.59	25.44
0830	23.37	23.58	25.42
0900	23.37	23.59	25.41
0930	23.37	25.60	27.48
1000	23.37	24.60	26.42
1030	23.37	25.60	27.46
1100	23.37	25.60	27.47
1130	23.37	25.60	27.47
1200	23.37	25.60	27.47
1230	26.40	25.60	27.46
1300	26.40	25.60	27.47
1330	23.37	24.07	25.89
1400	23.16	24.07	25.90
1430	23.16	23.59	25.40
1500	23.16	23.58	25.40
1530	23.37	21.25	21.25
1600	26.10	24.07	25.90
1630	37.95	28.69	30.95
1700	52.88	33.25	36.15
1730	62.54	35.15	37.99
1800	43.87	34.90	37.68
1830	28.74	29.85	31.69
1900	28.02	28.99	30.87
1930	27.27	25.84	27.64
2000	23.37	24.07	25.84
2030	23.16	23.25	25.01
2100	23.16	23.25	25.02
2130	22.77	23.25	25.03
2200	22.77	23.25	25.04
2230	22.46	22.78	24.56
2300	20.78	22.72	24.52
2330	18.36	20.60	20.60
2400	18.26	18.12	18.12

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.
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Gilts fall as hopes fade for further cuts in UK rates

By Tracy Corrigan in London and Patrick Harverson in New York

BOND prices fell across Europe yesterday, on fears that the Bundesbank is increasingly unlikely to cut interest rates this year, perpetuating volatility in the foreign exchange

GOVERNMENT BONDS

markets, as other European currencies in the exchange rate mechanism come under pressure.

But gilts were not helped by the floating pound yesterday. Prices dropped as much as ¾ point, as signs of a potential economic recovery prompted concern that the UK government may not feel the need to cut interest rates any further.

The M0 money supply figure for November showed a 3 per cent year-on-year growth. Because there is a strong correlation between M0 (the narrowest definition of money supply) and retail sales, "the government will view that as a sign that retail sales are starting to pick up," said Mr John Kendall, an economist at Baring Brothers.

The gilt market's main fear is that the scope for further rate cuts may have narrowed, while inflation is more likely to rise. Although the market took fright, it may be too early to read much into the figures. The key will be how much sales rise over the Christmas period, Mr Kendall said.

Meanwhile, traders remain nervous ahead of Wednesday's auction of £2.5bn of 10-year gilts. In when-issued trading, the new partly-paid 10-year issue was quoted yesterday at 21$\frac{11}{16}$, down from 24 when it was announced a week ago.

The long gilt future on Liffe ended at 98$\frac{1}{32}$ down from 98$\frac{11}{16}$.

■ THE German market had to absorb more bad economic news yesterday, when engineering orders fell 17 per cent month-on-month in October, led by a 20 per cent decline in foreign orders, reflecting the impact of the strong mark.

However, with inflation surging and money supply expanding, it is "difficult to see how the Bundesbank can lower rates, despite the poor state of the economy," said Mr Michael Burke, an economist at Yamaichi International.

German bond prices held up better than most, however, ending about ¼ point down. However, money market rates rose sharply, when call money jumped up to 9 per cent from 8.7 per cent.

■ RISING rates in the German money market fed through into the French market, where three-month rates rose to 10.2 per cent. Bond prices fell ⅜ point, on fears that the franc is set to come under renewed pressure.

Meanwhile, sentiment in the Italian bond market is not set to favour an auction of Italian government bonds (BTPs) today.

■ US Treasury prices eased slightly across the maturity range yesterday morning following the release of another strong economic report.

By midday the benchmark 30-year bond was down $\frac{1}{8}$ at 100$\frac{5}{32}$, yielding 7.595 per cent. The short end of the market was also slightly weaker at midsession, with the two-year note down $\frac{1}{32}$ at 99-5/8, yielding 4.807 per cent.

Hopes that prices might trade firmer in the wake of last week's heavy selling were dashed when the Chicago purchasing managers reported their index of local manufacturing activity had risen from 49.72 in October to 54.22 in November. The National Association of Purchasing Management's index is out today and the Chicago data suggested the NAPM figure will also show a quickening in the pace of the economic recovery.

FT FIXED INTEREST INDICES

	Nov 30	Nov 27	Nov 26	Nov 25	Nov 24	Year ago	High *	Low *
Govt Secs (UK)	92.56	93.44	93.75	93.98	94.08	85.90	95.54	85.11
Fixed Interest	108.01	108.38	108.66	108.89	108.90	95.78	110.28	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928. * for 1992. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 110.28 (12/11/92), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Nov 27	Nov 26	Nov 25	Nov 24	Nov 23
Gilt Edged Bargains	129.8	133.1	156.6	185.0	141.8
5-Day average	149.2	155.2	160.3	163.6	163.7

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.9339	-	8.78	8.91	8.92
BELGIUM		8.750	06/02	104.3600	-0.370	8.07	8.04	8.16
CANADA *		8.500	04/02	102.1500	-1.050	8.16	8.23	7.84
DENMARK		9.000	11/00	99.6500	-0.600	9.06	9.08	8.94
FRANCE	BTAN	8.500	03/97	100.7451	-0.424	8.25	8.20	8.17
	OAT	8.500	11/02	101.2650	-0.590	8.30	8.23	8.16
GERMANY		8.000	07/02	103.9200	-0.250	7.41	7.33	7.40
ITALY		12.000	05/02	94.2450	-0.145	13.50†	13.60	13.60
JAPAN	No 119	4.600	06/99	101.3905	-0.155	4.62	4.48	4.61
	No 145	5.500	03/02	105.4175	-0.275	4.87	4.65	4.72
NETHERLANDS		8.250	08/02	104.8600	-0.380	7.54	7.46	7.58
SPAIN		10.300	06/02	98.9250	-0.275	12.71	12.76	12.46
UK GILTS		10.000	11/96	108-04	-26/32	7.58	7.20	7.07
		9.750	08/02	107-20	-29/32	8.56	8.37	8.13
		9.000	10/08	100-27	-25/32	8.88	8.72	8.58
US TREASURY *		6.375	08/02	95-27	-22/32	6.97	6.86	6.74
		7.625	11/22	100-04	-18/32	7.61	7.55	7.59
ECU (French Govt)		8.500	03/02	97.6600	-0.235	8.87	8.87	8.82

London closing, *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Banamex hopes to raise $350m from debt issue

By Sara Webb

BANAMEX, one of the leading banks in Mexico, is hoping to raise more than $350m with an unusual convertible debt issue. The deal, which is one of the largest convertible debt issues from an emerging market, will prove an important test of investor appetite for Mexican paper, given that conditions for Latin American equity and bond issues have been difficult recently.

Banamex – otherwise known as Banco Nacional de Mexico – is issuing $350m of seven-year subordinated exchangeable debentures which can be exchanged into shares in Banacci, the quoted Mexican holding company which owns Banamex.

The deal, which was due to be priced last night or today, will probably be split with around $250m for international investors and $100m for domestic investors.

The debentures are expected to pay interest of about 7 to 7.5 per cent.

International investors with an interest in Latin American issues are expected to watch this issue closely given the recent difficulties experienced by Latin American names in the equity and bond markets.

The steep drop in the Mexican stock market in the summer forced Banacci to abandon its $1.4bn equity offering in June, and several other Mexican names which had hoped to raise new money with international share offerings have had to shelve their plans.

In the international bond markets, fears of oversupply forced yields on Latin American issues to widen considerably.

Investment bankers are wondering whether the structure of the Banamex subordinated exchangeable debenture, for which Goldman Sachs is lead manager, will prove more successful in wooing back investors.

Banacci is hoping to obtain a listing on the New York Stock Exchange next year and has not ruled out the possibility of launching a global equity offering once market conditions improve, according to investment bankers.

French bank uses new structure to launch $100m paper

By Brian Bollen and Tracy Corrigan in London and John Murray Brown in Istanbul

CREDIT Local de France yesterday became the second borrower to raise funds using the ratchet collared floater, a new species introduced to the bond market by Morgan Stanley International last week. The bank said it launched the

INTERNATIONAL BONDS

$100m five-year issue on the strength of demand for the first, a $150m five-year issue for Rabobank Nederland last Friday.

Morgan describes the structure as an enhanced floating rate note, the interest rate on which can never go down. The thinking is to take advantage of interest in FRNs from investors who are positive about the dollar, but concerned that US interest rates, while rising, could fall in the medium term.

Morgan argues it has taken away the downside risk, and the only limit to the upside is that interest rate rises are limited to a maximum of 25 basis points every three months. Morgan says this innovation has the potential to be as large as the collared floater market, but critics say the structure is too complicated and most investors are sceptical of missing any rise in interest rates.

Meanwhile, the Republic of Turkey launched a Y70bn samurai bond in Japan, as part of its strategy to improve the currency composition and maturity structure of its debt, to improve the balance between syndicated loans and fixed-rate paper and to increase the investor base for Turkish risk. Bankers also note the samurai market has been providing more attractive financing for sovereign borrowers than the Euroyen market.

The bond, led by Yamaichi Securities, is divided into two tranches, one with a four-year maturity and the other six years. This is the republic's third venture this year into the samurai market and follows moves into Yankee and Ecu bond markets. The platform for this latest issue was the triple-B rating gained from Standard and Poor's in May.

Turkey's debt was $50.9bn at end-June. Of the total, 37 per cent is at variable interest rates and the rest is fixed.

Bankers say the pricing on this issue is expected to be tight, making it difficult to sell to institutional investors. But success of Y50bn five and seven-year bonds in June and September respectively suggests the appetite among Japanese retail investors is strong. Mr Masayaki Kanayama of Sanwa Bank in London said the market expects institutional and retail investors to take up the four-year tranche, and retail investors to buy the six-year tranche.

The republic has already issued $899m worth of bonds in 1992, compared with syndicated loans of $349m. In May, Paribas was lead manager on Turkey's Ecu bond, a $185m-equivalent three-year exercise. Commerzbank arranged a DM400m seven-year bond issue in July. Also in July, the Treasury arranged a $250m Yankee bond issue.

When the samurai issues are included, Turkey is projected to be a net borrower on the international capital markets in 1992, despite its original target to be a net repayer. Debt repayments are estimated at $1.9bn in the second half of this year. Public debt repayments are officially projected to peak in 1995 at $4.6bn.

Due to these new borrowings and the adverse exchange rate movements which are estimated to have added $2.3bn to the debt stock in the first half of 1992, total debt is projected to reach between $53bn by the year end. This is a net increase of more than $4bn over 1991.

Elsewhere, bankers described as rather optimistic suggestions from Romania that it might follow the reopening of its domestic bond market after 45 years by tapping the Eurobond market as early as 1993. S&P said the debt rating for Hungary, the only eastern European country so far to have its debt rated, is below investment grade at BB+.

● THE European Bank for Reconstruction and Development has set an Ecu900m borrowing programme for next year.

The bank has so far raised Ecu865m of this year's Ecu900m programme, at economic funding levels. With an average maturity of seven years, the bank's average cost of funds, after swapping the proceeds of its borrowings, was better than 40 basis points below the London interbank offered rate.

Mr René Karsenti, the EBRD's treasurer, agreed it would be "difficult" to achieve the same cost of funds next year, but said the triple-A rated bank "may benefit from the flight to quality" by bond investors.

The bank's policy is to borrow a minimum of 45 per cent of projected requirements for cash disbursements over the next three years.

The money raised is invested in liquid assets, pending disbursement.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Crédit Local de France(a)‡	100	(a)	101.625	1997	1⅞/1.825%	Morgan Stanley Int.
Bankers Trust NY Corp.(b)‡	50	(b)	100	2002	50/30bp	Bankers Trust Int.
SWISS FRANCS						
Footwork International(c)★★	50	(c)	101	1997	1½/1⅜%	LTCB(Schweiz)

Final terms and non-callable unless stated. ★★Private placement. ‡Floating rate note. a) Coupon pays 35bp above 3-month Libor. Coupon floor is the preceeding coupon and coupon increases are limited to 25bp. b) Fungible with outstanding $150m. Plus 1 day accrued interest. Coupon pays 12.5bp below 3-month Libor. Minimum coupon 5⅜%, maximum 10%. c) Coupon pays 45bp above 6-month Libor.

Investors place resources in emerging markets

By Antonia Sharpe

INTERNATIONAL investors have continued to put extra resources into following emerging markets over the past year, although the flow of investment into these markets has slowed markedly, according to a recent survey.

In its fourth annual survey of 30 leading international investors, Kleiman International Consultants, based in Washington, found that allocation to developing markets rose by 0.5 percentage points to 10 per cent in 1992, after a 2 percentage point rise the previous year. In the past four years, portfolio allocation has quadrupled.

The survey's respondents noted that over the past 12 months an increasing number of conservative pension and Erisa funds have committed a small percentage of funds to emerging markets, generally not more than 2 to 5 per cent of their total international allocation.

At more than half the institutions, the emerging markets department was now an "accepted part" of institutional culture.

Investors are still concerned by the regulatory environment and settlement difficulties in some markets. Mexico was voted as the best supervised and most transparent of the emerging markets. Turkey, Brazil, Venezuela, India and Pakistan were cited as continuing problem areas. Brazil and Venezuela were also viewed as the most difficult markets for settlement.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on November 30

U.S. DOLLAR STRAIGHTS — OTHER STRAIGHTS — DEUTSCHE MARK STRAIGHTS — FLOATING RATE NOTES — SWISS FRANC STRAIGHTS — CONVERTIBLE BONDS — YEN STRAIGHTS

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn = The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	74	4
Other Fixed Interest	2	9	4
Commercial, Industrial	413	163	846
Financial & Property	211	86	506
Oil & Gas	21	11	53
Plantations	3	0	6
Mines	18	11	92
Others	72	17	27
Totals	761	371	1,538

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

● First Dealings Nov 23
● Last Dealings Dec 4
● Last Declarations Feb 25
● For settlement March 8

3-month call rate indications are shown in Saturday editions. Calls in: ASDA, Babcock, Haemocell, HTV, Medeva, Proudfoot and Ratners. Puts & Calls: Amber Day and Cannon St.Invs.

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LIFFE EQUITY OPTIONS

[illegible]

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Mon Nov 30	Day's change %	Fri Nov 27	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (22)	127.79	-0.52	128.46	2.52	10.99
2	5-15 years (25)	144.05	-0.78	145.19	2.78	11.85
3	Over 15 years (8)	159.57	-0.77	151.54	3.00	10.57
4	Irredeemables (6)	168.35	-0.93	169.93	1.23	13.49
5	All stocks (61)	140.87	-0.78	141.98	2.73	11.64
	Index-Linked					
6	Up to 5 years (2)	183.86	-0.16	184.16	0.64	3.68
7	Over 5 years (10)	165.22	-0.46	165.99	1.27	4.04
8	All stocks (12)	166.52	-0.42	167.23	1.18	3.96
9	Debs & Loans (62)	121.19	-0.97	123.03	2.20	11.13

AVERAGE GROSS REDEMPTION YIELDS

[illegible]

Scottish Power shows 16% advance to £95m

By Michael Smith,

THE CHIEF executive of Scottish Power foresaw real increases in dividends of 5 per cent a year for the next two years as his company reported a 16 per cent rise in interim pre-tax profits.

Mr Ian Preston's comments and the profits rise of £95m for the six months to September 30 helped the shares to rise 2p to 221p. Some analysts revised their forecasts for the full year upwards, with average expectations at around £300m.

Profits before tax in the half year were achieved after a net provision of £13.3m taking in a debit of £23m for reorganisation and restructuring and a £9.7m credit for a re-assessment of energy losses.

The re-organisation costs include severance and early retirement payments to cut the workforce further. It has fallen from 9,500 at privatisation to about 8,300 and Mr Preston said there were opportunities for further reductions.

Operating profit per employee in the half year was 28.5 per cent up on the 1991 first half.

For the six months earnings per share after the exceptionals were 8.47p, an increase of 6.7 per cent. The interim dividend is 3.72p, a 10.1 per cent increase.

Turnover was up 6 per cent at £634.8m with total unit sales 2.3 per cent ahead. However the company said that weather apart, unit sales were flat and full year growth was likely to be 0.5 to 1 per cent. The recession was starting to have an effect, said Mr Preston.

Sales of electricity to England and Wales was £36.5m in the first half, an increase of 6.7 per cent, the company said.

Colin Beere

Ian Preston: rebates for small customers will range from £5 to £15

The company will boost its capacity to distribute electricity to England and Wales by over 70 per cent as the interconnector is upgraded to handle 610 megawatts by the end of 1993 instead of the present 350.

Capital expenditure this year is expected to be about £130m, up on the normal £100m to £110m, largely because of the cost of improving the interconnecter.

Gearing was about 1 per cent at the end of the half. This will rise by the end of the year but the company said it would be less than the 18 per cent at the end of last year.

Mr Preston said the retail *operation made an operating* profit of £2m in the half year, about the same as for the whole of last year. In electrical contracting the company was benefiting from a renegotiation of terms and conditions Basic salaries in the division had fallen 10 to 20 per cent, although performance related pay arrangements meant that in some cases earnings were higher.

The company has invested £10m in a fibre optic system, although it said it was not in the business of setting up a rival telephone user to BT. It wanted a niche market aiming for bulk transfer of data to companies including financial services institutions.

The company said average rebates for small customers, arising from inflation being *lower than expected in the* year to October, will range from £5 to £15. This will amount to about £20m.

Few mourn as USM heads for scrapyard

Benefits of a full market listing outweigh doubts for smaller companies, reports Peggy Hollinger

There will be few mourners for the Unlisted Securities Market, assuming the Stock Exchange decides to dismantle it following the consultative paper due out at the end of this year.

"The body has been around for a while," says Mr John Houlihan, of Hoare Govett's small companies team. "Today's news is just a recognition that we have to go to the burial service."

Mr Houlihan's views appear to be shared by many small company observers and executives. "Any company worth its salt has tended to go for a full listing as soon as possible," says Mr Lawrence Marsh, an analyst at the small company specialists, Winterflood.

However, there might be a few reasons to think twice about merely thrusting smaller companies from the USM onto the main market. "The USM provided a universe where people could easily look to invest in smaller companies," says Mr Marsh. "The Stock Exchange could address that issue better."

Some companies also fear being swamped in their individual sectors. "On the USM, although small, we were able to stand out as a company going forward," says Mr Ashley Martin, group financial controller of the media buying group, CIA.

"There is a danger that we could get lost in the bigger crowd," he adds.

For those who have made the transition recently, there is no doubt that a full listing has offered greater benefits. For example, Metal Bulletin, one of the first to join the USM in the early 1980s, has not looked back since moving to the main market in July.

"Going round the City one always had the feeling that being USM you were second class," says Mr Tom Hempenstall, Metal Bulletin's chief executive. "You were not taken as seriously as you were in the 1980s."

That has all changed since leaving the USM. In fact, Metal Bulletin's market value has gone up by 10 per cent since joining the main market – its share price rising from 214p to 238p in that period – although Mr Hempenstall is reluctant to attribute that increase merely to the move.

The transition from the USM to the main market is expected to be almost painless, with most of the older USM companies already meeting many of the requirements for a full listing. Nor is cost expected to be a barrier.

In recent years, the cost differential between coming to the USM as opposed to the main market has virtually disappeared. Metal Bulletin paid £50,000 to make its move.

Furthermore, adoption of a European Community directive in the autumn will mean those companies moving from a junior to a main market will only have to file abridged listing particulars. This will cut the costs even more.

The Stock Exchange is also likely to give between one and two years to make the transition.

This will allow a company to make the move when financial details will already have been prepared anyway – for example, when proposing an acquisition or publishing annual results.

It is unlikely that many USM-quoted companies will choose not to move to a full stock market listing. If anything, some have put off the transition out of a vague loyalty to the market which gave them their start.

"We are very happy with the move," says Mr Hempenstall. "We are just sorry we did not do it earlier."

Isosceles may consider a refinancing

By Maggie Urry

A PROPOSAL for a debt-for-equity swap is being drawn up for Isosceles' advisers which could be put to the board of the highly-geared food retail group in the next a week or so.

Rumours that Isosceles, which owns the Gateway chain in the UK, was considering a third rearrangement of its financial structure have been circulating since the second restructuring was signed in early October. Isosceles said that trading was difficult and it was making every effort to *maximise Christmas sales. It* said it was not in breach of any of its banking covenants, which were reset in the financial restructuring approved in October.

It said: "We are reviewing the trading strategy at Gateway following the management changes there." Mr Bob Willett, who was chief executive of Gateway, left in October. "In the light of this review and our view of trading for the next financial year, we will then consider whether *any steps need to be taken* with respect to the financing of the company."

Flotation benefits bolster Kenwood

By Richard Gourlay

KENWOOD Appliances, the kitchen equipment company, yesterday reported a 10 per cent fall in interim operating profits after difficult trading conditions in July, the month after the group floated on the Stock Exchange.

At the pre-tax level profits in the six months to September 30 increased from £3.11m to £3.89m as the group benefited from a much lower interest charge after the float. The result was struck on sales marginally down at £45.3m. Operating margins were one percentage point lower at 11.6 per cent.

Earnings per share, on a pro-forma basis, were down from 10.4p to 9.2p. The company is paying a 1.5p interim dividend.

Mr Tim Parker, chief executive, said Kenwood was hoping to pursue a progressive dividend policy and cover the payment 2.5 times. Had it been paying a dividend in the year to March 1992 it would have been 7.5p.

Sales in the UK market, which account for about a third of the total, held up with the introduction of new models. Sales of the Kenwood Chef, on which the company was originally built, remained firm and sales of a new Ultrascreen electronic water filter had a good early response.

In Scandinavia sales continued to be depressed, but sterling's depreciation before and after retreat from the ERM had benefited margins as Kenwood invoices in foreign currencies.

● COMMENT

After October's profits warning, Kenwood's trading slide has halted-it is now just another company selling quality products to a public that has lost the appetite to consume. Shareholders can thank the Chancellor's sterling devaluation without which full year profits would have been £1.4m lower. It is difficult, however, to see where else exciting growth will come from in the short term or how the company is to return to a premium rating. Kenwood will enjoy any recovery in the UK – perhaps more than purveyors of larger ticket consumer goods – as it has strong market position and brands. But who knows when that recovery will be. China holds out more hope since Kenwood acquired cheap manufacturing capacity and an entrée into the local market with the acquisition of Tricom. But that, too, will have long term rather than immediate benefit. Nevertheless, with full-year profits forecast at £9.5m, or 17.2p of earnings, there is probably room for price recovery given the kicker Kenwood should continue to receive from currencies.

Contract boosts Manders' shares

By Peter Pearse

SHARES IN Manders (Holdings) rose 20p to 221p on news that the paints, inks and property group which fought off a hostile £86m bid from *rival paint-maker Kalon in* August, had won a contract to supply own-brand paint to the Wickes Group, the DIY multiple.

Mr John Gerry, managing director of Wickes Retail, said that paint was a major product category for the 67-store chain.

Wickes had chosen Manders "to ensure competitively priced, high volume and quality production".

Mr Roger Akers, Manders' chief executive, said that Wickes had embargoed publicity on both how long the contract would run and how much it was worth because it was *sensitive about that information* as far as its competitors were concerned.

Thames gets boost from SelecTV

By Raymond Snoddy

SELECTV, the independent production company responsible for hits such as Birds of a Feather is moving its production base from Elstree Studios to the Thames Television complex at Teddington.

The decision is a significant boost to Thames as it trys to *build up its non-broadcasting* business in advance of this month's loss of its ITV licence.

The SelecTV contract, worth at least £1m a year in production facilities is the largest won by Thames so far.

SelecTV decided to give up on Elstree after trying unsuccessfully for two years to buy the studios from its present owners Brent Walker.

Mr Michael Pilsworth, director of UK operations for Select said the facilities at Elstree had been progressively reduced *to cut costs.*

"The difference between a warehouse and a television studio is show business. They took all the show business out," Mr Pilsworth said yesterday.

If Thames succeeds in raising the money to go ahead with the new Channel 5 – the deadline is this Friday – it could become a broadcaster again and might lose its status as an independent producer. A joint venture with Select could then be a useful way of keep*ing part of the benefit of being* classed an independent producer. ITV has to buy at least 25 per cent of its programmes from the independent sector.

Asprey rises to £11.2m on lower margins

ASPREY, the USM-quoted jewellery group which has expanded rapidly through acquisition in the last couple of years, lifted pre-tax profits from £10.9m to £11.2m in the six months to September 30, writes Peter Pearse.

*Mr Naim Attallah, previ*ously joint managing director and chief executive since the beginning of September when the group reorganised its management structure, said he had no intention of going down the Ratners route.

He said the group's accounting was "very conservative", explaining that with acquisitions – the most recent of which was Watches of Switzerland for £23.2m in June – the group assessed stocks "for the worst possible circumstances".

He had expected WoS to be a drain on Asprey's resources, but it was servicing the loan taken out for the acquisition, and making a profit.

Group turnover rose to £60.2m (£49.2m), with a contribution of about £5m-£6m from WoS. Although margins had slipped, Mr Attallah said the rise in sales was important to absorb the increased overhead.

Earnings rose by 0.1p to 6.97p and the interim dividend is maintained at 1.1p.

Standard Chartered to dispose of joint venture

By John Gapper,
Banking Correspondent

STANDARD Chartered yesterday announced the proposed sale of its 50 per cent stake in Chartered WestLB, the London-based international merchant bank jointly owned *by Standard Chartered and two* German banks.

The stake was sold to WestLB (Europe) UK Holdings, which is 75 per cent owned by Westdeutsche Landesbank and 25 per cent owned by Südwestdeutsche Landesbank.

Standard Chartered will be paid £26.3m plus a dividend of half the earnings of Chartered WestLB for 1992, and a share of dividends for three years after that.

The move – if approved by *the Bank of England* – will complete the disposal of what was Standard Chartered's London-based merchant bank.

It will be left with merchant *banking arms in Singapore,* Hong Kong and Zimbabwe.

Mr Rodney Galpin, chief executive, said the transaction reflected a re-refocussing of Standard Chartered businesses to concentrate capital on core activities.

It did not affect the commercial banking relationship with WestLB

No referral for Tomkins/RHM bid

By Richard Gourlay

The agreed bid by Tomkins for Ranks Hovis McDougall, will not be referred to the Monopolies and Mergers Commission, the Secretary of State for Trade and Industry said yesterday.

The announcementcame as Tomkins' shareholders were deciding on whether to take up *their part of the £653m rights* issue which will partially pay for the acquisition.

Tomkins share price closed down ½p at 228½p, well clear of the 200p rights issue price. Tomkins advisers are expected to announce today how much of the rights issue was taken up.

KPMG fee income up 1%

By Andrew Jack

KPMG PEAT MARWICK, the accountancy firm, declared fee income up just 1 per cent to £489m in the UK for the year to September 30, compared with the 12.3 per cent growth of the preceding year.

In an indication of the difficulties facing professional *practices, it cut its staff by 9* per cent to 9,398, including cutting three partners. It also closed four of its 49 offices. In common with other accountancy firms, Peat Marwick does not disclose its profits.

Mr Jim Butler, senior partner, said the firm had been affected by the continuing recession and the strong competition in the market for professional services. Income from audit and accounting fell 3 per cent to £200m, and from management consulting by 8 per cent to £78m.

This was offset by a 25 per cent increase from the corporate recovery division to £56m, a 3 per cent rise in taxation to £102m and a 6 per cent rise in corporate finance to £53m.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last - year
Asprey §	int	1.1	Jan 27	1.1	-	4.85
Borthwicks	int	0.5	Jan 29	0.5	-	1.1
Crown Eyeglass §	int	2.5	Jan 4	2	-	6
East Surrey Hlds	int	4.1	Jan 18	3.56	-	9.56
EFM Income Tst	int	1.2	Feb 5	1.2	-	4.875
European Colour	int	0.275	Jan 11	0.25	-	0.65
Greene King	int	3.7	Feb 5	3.7	-	11.6
Harris (Philip)	int	2.2	Jan 25	2	-	6.25
JLI	int	1.55†	Feb 3	1.5	-	4.5
Kenwood	int	1.5	Feb 26	-	-	-
Leigh Interests	int	2.46	Jan 29	2.46	-	7.83
Merrydown Wine§	int	1	Jan 18	0.89*	-	6.22*
Oceana Inv Corp	int	1.6	Jan 25	1.5	-	11
Scottish Power	int	3.72	Mar 12	3.38	-	10.13
United Drug	fin	4.65♣	-	4.4	6.7	6.25
Vistec	int	0.125	Jan 13	0.1	-	0.3
Wood (SW)	int	0.5	Mar 30	nil	-	0.25

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ♣Irish currency

How the endless rise of Harland Simon ran out of fuel

Angus Foster reports on the questionable methods behind the group's collapse

ON TUESDAY February 11 Mr Roy Ashman, chairman of Harland Simon, the control systems and imaging group, finally admitted his run of luck was over.

At a board meeting that day it became clear that the company's years of profits growth, built on successful products, but some highly questionable financial procedures, were past. Harland issued a warning which spoke of an expected "significant fall in profits". Its shares collapsed from 590p to 253p and Mr Ashman resigned.

Faced with a crisis of confidence among customers and shareholders, Harland fell deeper into trouble and by this September its shares were suspended. One month later receivers were appointed. The extraordinary rise of Harland Simon was over.

Harland's main business was manufacture of process control equipment, especially for the newspaper industry. Its products were well regarded and sold to several national newspapers, including the Telegraph group, News International and Financial Times.

Pre-tax profits rose from £5.5m in the year to March 31, 1989 to £8.3m in 1990 and £10.5m in 1991. In the weeks leading up to the profits warning, analysts expected Harland to make profits of £12.5m for the year to March 1992. But it announced losses of £5.3m.

Mr Ashman, who did not return telephone calls seeking interviews for this article, co-founded the company and is described by former colleagues as a dealmaker who left details to others. He gained the confidence of the City, which was impressed by his ability to explain technology in simple terms. Harland won a stock market premium and outperformed the FT-A All-Share Index by 200 per cent between 1986 and the profit warning.

According to former employees, he was an optimist who believed the plaudits awarded him in the City. But in the quest for yet higher profits, Harland became dependent on orders from major shareholders. When these sold out, Harland *was unable to sustain* orders and turned to questionable financial practices.

"He got absorbed by his own aura and got deeper and deeper in trouble," a former colleague said.

Documents in the possession of the Financial Times provide evidence that:

● Harland altered a large customer order so profits could be taken earlier than allowed by accounting regulations.

● executives misled investors about Harland's relationship with Perfect Information Limited (PIL), a loss-making information company.

● Harland overcharged for equipment sold to PIL which was then sold and leased back from banks at the inflated value.

● two executives lodged the accounts of a subsidiary at Companies House against the wishes of the subsidiary's managing director, who said a board meeting was not validly convened, as required by the Companies Act.

Harland was floated in 1987. In the mid 1980s a major source of business was Mirror Group Newspapers, then controlled by Mr Robert Maxwell. At the same time, Mr Maxwell's Pergamon was a Harland shareholder, after gaining an option in 1986 to buy into the company. On Harland's flotation, Pergamon made a profit of nearly £900,000 on its shares.

Mountain Dew, a family trust controlled by Mr Asil Nadir, founder of Polly Peck International, the failed fruits and electronics group, then emerged as Harland's major shareholder, owning 28 per cent by August 1989.

Mr Nadir was again one of Harland's main customers. Newspapers such as Mr Nadir's Istanbul-based Gunaydin placed substantial orders with Harland for process control and imaging systems.

In 1990 Mountain Dew and Mr Ashman set up News Cuttings Bureau (NCB), a company that later changed its name to PIL. Mountain Dew owned 80 per cent of NCB while Mr Ashman and Harland each owned 10 per cent.

In late March 1990, just *before Harland's year end*, NCB ordered £3.8m of equipment from Harland. The transaction was booked in Harland's 1990 accounts, generating operating profits of £2.5m.

Helped by this profit boost, Harland successfully completed a rights issue in July to raise £13.8m. Mountain Dew used the opportunity to sell its stake in Harland in September 1990 for a profit of nearly £5m. Its shares in NCB were sold to Mr Ashman and Harland, so that each owned 50 per cent.

Harland's links with Mr Maxwell and Mr Nadir were well known but their importance was not fully appreciated by shareholders.

"Harland kept beating our profit estimates. Looking back, the deals with Maxwell and Nadir were either fortunate coincidences or extremely clever forward planning," one shareholder said.

By March 1991, with no large shareholder to place orders, recession began to take its toll. With its financial year drawing to a close, Harland told its subsidiaries to find orders. According to a former employee, "there was always a problem at the year end, but Roy [Ashman] always seemed to pull a rabbit out of his hat".

On March 25, PIL director Mr Neil Smart wrote to Harland Simon Library Systems ordering £2.4m of equipment. Mr Smart's order was doctored by Harland. A second letter, written subsequently but backdated to March 25, removed a paragraph that mentioned timings for delivery, and changed PIL's payment terms. The letter, found in PIL's files some months later, was purportedly signed by Evelyn Child, on behalf of Mr Smart. Ms Child was Mr Ashman's personal assistant, and had no responsibility for PIL or Mr Smart.

According to former Harland employees, this second letter was to help convince Harland's auditors, Price Waterhouse, that profit from the order could be taken in 1991. These employees said taking profits early happened on other occasions.

Harland booked about £1.6m *profit from the deal*, even though none of the equipment could have been prepared, delivered and invoiced in the six days before the year end.

Dealmaker: Harland chairman and prime mover, Roy Ashman

Equipment *sold to* PIL was also overpriced, sometimes by up to 50 per cent. Earlier this year a group creditor asked a specialist computer company to value a system supplied by Harland to PIL. The company's conclusion was: "The system was grossly overpriced."

In 1990 and 1991 Harland sold equipment to PIL for £7.8m. According to a bank involved, the list price was £3.5m. Harland therefore booked at least £4m of clear operating profit – a 50 per cent margin compared with about 14 per cent for the business overall.

On one occasion in 1991, a computer with a list price of £250,000 was sold by Harland to PIL for £400,000. The equipment was then sold to and leased back from a leading bank. The bank only checked on the value of the eqipment once Harland's problems became public.

Harland did not consolodiate PIL, even when it increased its stake to 50 per cent, because *the stake was classified as a* short-term holding in its accounts. In summer 1991, Harland told shareholders it had disposed of the investment.

Harland paid the Swiss company Oerlikon Buhrle a nominal SFr5 for Contraves, a loss-making drives company. According to Harland, Oerlikon agreed in return to invest £2.45m in Sandford, a Liechtenstein trust, which in turn invested the money in PIL for a 54 per cent stake.

But Oerlikon has repeatedly said it made no money available. Price Waterhouse qualified Harland's 1992 accounts because it could not establish ownership of Sandford. Sandford's trustee, Prince Michael von Liechtenstein, refused to comment.

Sandford held the 54 per cent stake in PIL, but documents with the FT suggest Harland retained control of PIL throughout. Until January this year, five months after Harland claimed to have relinquished control of PIL and Mr Ashman stepped down as a director of PIL, Mr Ashman was the sole signatory on PIL's bank account.

After Mr Ashman resigned from Harland in February, PIL's bank mandate was changed to allow any two signatures from PIL's three directors. But two directors, Mr George Neophitou – appointed in February – and Mr John Stobart, were Harland executives. Harland also remained sole guarantor for two equipment leases, worth more than £4m, taken out by PIL.

Contraves was to play a large part in Harland's downfall. It continued to lose money and by last December Mr John Redshaw, managing director, admitted privately that Contraves had much higher borrowings than previously thought. Following Harland's profits warning, and more rigorous accounting policies, Harland made provisions of £5.23m to cover Contraves.

By December, Harland had order and cashflow problems. Mr Ashman and Mr Redshaw met with other executives and discussed wage freezes and redundancies. In one meeting, Mr Ashman said: "I don't think Christmas will come this year." On December 12 Harland released an optimistic interim statement with a 16 per cent profits increase. The company said it was weathering recession well and had secured good orders.

Problems mounted through January as cash drained out into Contraves and orders were scarce. Yet Harland continued to give upbeat briefings.

On February 10, the day before the board met to agree on a profits warning, Mr Ashman met with one institution, John Govett. After the meeting, it bought 125,000 Harland shares for more than £700,000. When the profits warning was released two days later, analysts and shareholders were stunned.

Mr Ashman was quickly succeded by Mr David Mahony, the deputy chairman of Harland and an industrial adviser to Hambros, Harland's merchant bank. But Mr Mahony failed to restore confidence and Harland's shares continued to slide. Morale, dented since the Christmas pay freeze, plunged. *Customers and suppliers* started asking questions.

Harland discoved it had a new problem. Systems supplied to PIL were working poorly and despite Harland's effective control over the company, PIL's managing director Mr Charles Warner-Allen started to complain.

Because of PIL's poor trading position, he wanted a statement in PIL's March 1991 accounts – which had still not been finalised – that Harland was PIL's ultimate holding company. Mr Warner-Allen argued that a March 1991 information memorandum seeking subscribers for shares in PIL – subsequently aborted – contained such a clause.

Harland refused. If it had agreed, it would have been forced to consolidate PIL's accounts. Instead, Mr Stobart and Mr Neophitou signed off the accounts in June with only a statement of support from Harland.

According to Mr Warner-Allen, he was not notified of a board meeting to clear the accounts, as is required under the Companies Act.

In a letter to Mr Neophitou, Mr Warner-Allen said he was "staggered" to find out the accounts had been signed off without the approval of the company's managing director.

By September, Harland's decline looked terminal. Proceeds from the disposal of a subsidiary were witheld by Barclays, Harland's main banker, and the shares were suspended on the stock exchange at 20p.

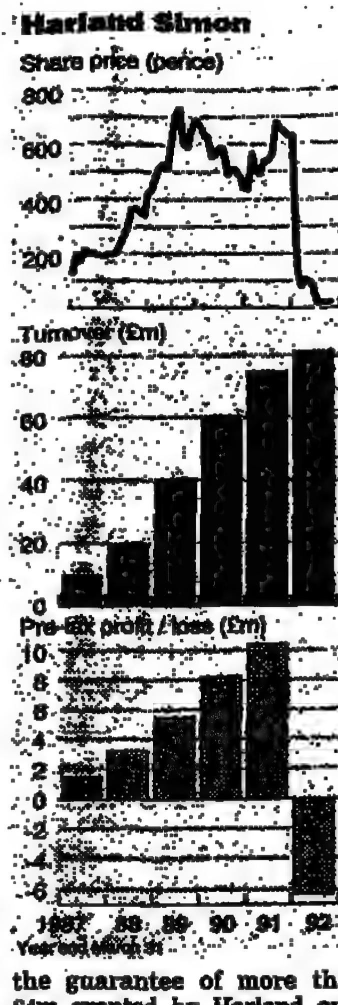
Harland did not go into receivership immediately. Instead, its financial adviser, Hambros, put forward two company doctors, Sir Ian Morrow and Mr Tony McCann, to join the company's executive committee, but not as directors. Mr McCann was paid more than £6,000 a week during his short tenure.

On September 15 Hambros told Harland it was switching to weekly invoicing for its advice. In the last few weeks of September, Hambros charged Harland up to £19,000 a week *for its services*.

On September 11 Harland wrote to PIL saying it was withdrawing support. PIL went into liquidation and triggered the guarantee of more than £4m granted by Harland over PIL's leased equipment. The guarantee was worthless once receivers were appointed at Harland on October 23.

Several hundred employees are unsure if they will recover all their pensions. The pension fund's trustees, Mr Ashman and Mr Mahony, approved the investment of £500,000 of the fund's money in PIL. Harland said in July that the money would be returned, but it has not been repaid. When Mr Ashman left the company in February he received a £365,000 pay off, together with his full entitlement of £960,000 from Harland's £6m pension fund.

Mr Ashman, meanwhile, is attempting a comeback. Working out of an office in Milton Keynes, he and two other directors have bought Harland's control systems division from the receiver. The company is being renamed Harland Simon Limited. A former colleague said: "Roy thinks he can start all over again. He still thinks the City loves him."



Lower waste levels hit Leigh

By Roland Rudd

LEIGH INTERESTS, the waste management company, blamed lower levels of waste production in the south of England and a higher interest charge for a 43 per cent fall in pre-tax profits for the half year to September 30.

Profits fell from £7.12m to £4.08m on reduced sales of *£52.3m (£58.9m)*.

Borrowings rose to £40m (£25m) – mainly because of acquisitions last summer – giving gearing of 60 per cent. The interest charge increased to £2.1m (£1m).

However, the shares rose 5p to close at 183p, partly out of relief that the profit fall was in line with the company's forecast earlier this year.

Mr Arthur Kent, finance director, said: "The deepening recession in the south means that many of our customers are just not producing any more waste. We do not anticipate any upturn in the next half."

Turnover was also held back by the depressed state of the construction industry which affected the company's market for reclaiming contaminated land.

The company says it is in a good position to take advantage of the move away from landfilling towards treatment of more liquid wastes. Over the past two years it has invested around £10m in 14 licenced treatment plants which treat liquid wastes.

Mr Kent said the group was not looking to make any further acquisitions since its deci*sion earlier this year to buy* Gerrards Cross Waste Disposal Company, operating near the junction of the M40 and M25.

Earnings per share fell to 4.4p (7.7p). The interim dividend is held at 2.46p.

TI sells Dowty stake in command systems business

By David White, Defence Correspondent

TI GROUP, the specialist engineering company which took over the Dowty aerospace and defence concern in June, yesterday sold Dowty's 50 per cent share in a naval command system business for an undisclosed sum.

Under the deal, Dowty-Sema, which is developing command systems for the UK's latest frigates and nuclear submarines, is being absorbed by BAeSema, a joint venture between British Aerospace and Sema, the Anglo-French software and systems company.

Mr Alex Dorrian, BAeSema managing director, said the move had been under discussion since before TI made its hostile bid for Dowty. Dowty would continue to work as a sub-contractor, particularly in the supply of hardware.

The change was aimed at *creating* a better vehicle for overseas sales and closer co-ordination with BAe's ambitions as a naval supplier.

Neither TI nor BAeSema was willing to provide details of the terms of the deal.

Revamped SW Wood at £0.4m

By Matthew Curtin

THE REVAMPED SW Wood group reported a pre-tax profit of £425,000 in the half year to September 30, its first six months as a specialist printing and packaging business having abandoned a 20-year history of metal trading.

The group made a £154,000 pre-tax loss in the same period last year – when it was reduced to a cash shell – before new management bought Riverside Packaging Printers in August and Grange Press, the lithographic printers, in January.

Interim dividends are being restored via a 0.5p payment after a 1.9p loss per share was turned into earnings of 2p. Turnover was £5.7m compared with £2m.

Mr Bryan Bedson, chief executive, said the printing and packaging sectors were proving resilient and the outlook for increased profits was good.

Grange benefited from state-of-the-art technology, high productivity and a healthy reputation, despite its recent receivership as a subsidiary of the ailing RKF conglomerate. Mr Bedson led a management buy-out of Grange in February 1991.

Grange could increase production quickly to meet any upturn in the economy and the likely boost it would give to the size of magazines as advertising increased.

There was potential for significant growth at Riverside, which currently contributed 25 per cent of sales.

Mr *Peter* James, *business* development director, said that while the group had £2m in cash reserves and was keen to make acquisitions in related businesses, it was proceeding carefully.

COMPANY NEWS: UK

Greene King provides £3.8m for failed bid

By Philip Rawstorne

GREENE King's unsuccessful bid for Morland, the Thames Valley-based brewer, cost a total £3.8m in the half year to November 1 1992.

There was a £1.1m net cost of carrying the 29.3 per cent stake in Morland, which raised the East Anglian-based brewer's interest charges from £3m to £3.86m and contributed to a 4 per cent fall in interim pre-tax profits, from £9.91m to £9.53m.

And there was a £2.7m extraordinary charge for underwriting costs and professional fees for the bid.

Mr Simon Redman, chairman of Greene King, said the stake – bought at 450p a share and now worth 418p – would be retained as a "strategic investment." The reduction in interest rates would reduce carrying costs in the second half to about £650,000, he said.

Taxable profits were also affected by lower property disposals and changes in accounting for them. An exceptional loss of £9,000 compared with a surplus of £486,000 in the corresponding period last time.

Earnings per share fell 4 per cent to 16.2p (16.8p), but the interim dividend is raised 6 per cent to 3.7p (3.5p). Trading profit rose 6 per cent to £13.27m (£12.51m) on turnover ahead 3 per cent from £65.6m to £67.5m.

Trading conditions remained depressed but beer volumes were held near last year's levels and market share improved, Mr Redman said.

Cask beers made real volume gains, with Greene King IPA, given strong advertising and promotional support, doing well in all trade sectors. "We see good potential for further growth," Mr Redman said.

Free trade business during the half year accounted for 56 per cent of volume sales; and a new depot is planned close to the M3 motorway to extend distribution in southern England.

The company invested heavily in upgrading its pubs. Food takings in the managed pubs grew 22 per cent, and the emphasis on catering has been increased.

A number of tenanted pubs, which were not viable in the longer term, would be sold when the property market improved, Mr Redman said. "We intend to continue adding to our pub estate where suitable opportunities occur. Our investment focus is now concentrated on better quality, larger properties."

● **COMMENT**

Greene King must be mightily relieved by the fall in interest rates. It will almost halve the cost in the second half of carrying the 29.3 per cent stake in Morland; and it may help to revive consumer confidence in East Anglia which has been one of the areas hardest hit by the recession. The Morland holding remains an embarrassment. It is unlikely to prove successful as the launching pad for a second bid; and Greene King will have to wait on the Morland management to restore its value or sell at a loss. That said, it is still getting a better return on that investment than its 35 per cent stake in Butterfly hotels. The core beer and pubs business is performing rather better than the market. Abbott and IPA are strong brands which should perform even better when more buoyant conditions return. Analysts suggest that will not be this year-forecasting flat yearly profits of £20.3m. On a prospective p/e of 13.5, the shares are rated a hold.

Trevor Humphries

Simon Redman: beer volumes held and market share improved

Merrydown Wine falls 19% to £0.76m as competition stiffens

By Philip Rawstorne

STIFFER competition in the premium cider market reduced first half taxable profits of USM-quoted Merrydown Wine by 19 per cent to £760,000.

Earnings per share declined from 7.73p to 6.32p but the dividend for the six months to September 30 is raised to 1p, an increase of 12.5 per cent.

Higher borrowings for investment in new brands and production facilities lifted interest charges from £161,160 to £308,260.

Trading profit fell from £1.1m to £1.07m on turnover which increased from £8.1m to £8.6m.

Merrydown Vintage cider maintained its dominance of the premium take-home sector while sales of Traditional cider in cans retained a 5 per cent share in the fast-growing canned sector.

Premium Draught cider made "encouraging progress" and sales of Merrydown apple juice increased substantially.

West Country honey increased profits on slightly lower sales after restructuring and cost-cutting; and Martlet Natural Foods continued to perform well in the health foods market.

Exports grew 60 per cent to £449,984, benefiting from the appointment of new overseas agents in France, Spain, the US and Argentina.

Mr Richard Purdey, chairman, said a new distribution agreement with Gaymer Group, together with continued investment in marketing, and brand acquisitions, should ensure that Merrydown shares in the substantial growth predicted for cider and adult soft drinks.

Results in the second half would turn largely on Christmas sales, he added.

Hoskins Brewery moves ahead slightly to £50,000

By Nigel Clark

MR BARRIE HOAR, chairman of Hoskins Brewery, the Leicester-based real ale brewer, has thanked the shareholders who backed him and his brother, Robert, against attempts to remove them from the board.

He said, when reporting interim pre-tax profits slightly ahead, that 84 per cent of shareholders who voted supported them.

He added: "A great deal of time and money has been spent which will be hard to recoup in these difficult business conditions."

Profits for the USM-quoted company in the six months to September 30 were £50,000 (£48,000) on turnover 15 per cent lower at £812,000 (£950,000).

Earnings per share were 0.87p (0.83p) basic or 0.82p (0.78p) fully diluted.

Mr Hoar said that beer consumption was still falling and the company would be monitoring the industry before embarking upon the replacement of its tenanted licensed estate.

The profit on the sale of public houses, completed in October, would be taken in the second half.

The company now had cash of £760,000 and no borrowings.

Medical division behind 29% rise at Philip Harris

By Matthew Curtin

PHILIP HARRIS, the laboratory equipment and pharmaceutical products supplier, increased pre-tax profit by 29 per cent to £806,000 (£624,000) in the half-year to September thanks to a healthy performance from its expanded medical division.

The interim dividend is increased 10 per cent to 2.2p (2p) and is being paid from earnings of 6.6p (5.11).

Mr Robert Jordan, chairman, said yesterday trading conditions in the UK market were difficult, but the main thrust of group activities was to consolidate its existing businesses.

Turnover rose to £41.7m (£36.6m). Revenue from the education and scientific division – Harris is the UK's largest supplier of scientific equipment to schools - was flat at £11.5m (£11.2m).

Sales from the medical division - which sells pharmaceutical products to dispensing doctors, retail chemists and health centres - jumped to £30.2m (£25.3m), after its expansion with the purchase of the Proctor chain of pharmacies in June.

The costs of the deal pushed up interest charges to £330,000 (£287,000), which partially offset an increase in overall operating profit to £1.14m (£911,000).

Snack foods move boosts JLI

By Peggy Hollinger

A MOVE into snack foods helped JLI, the food processor and distributor which supplies popcorn to UK film audiences, increase first half pre-tax profit by 61 per cent.

It rose from £1.14m to £1.84m in the six months ended September 30 1992 and was generated on sales 27 per cent higher at £50.9m (£40.2m).

Mr Yoav Gottesman, chief executive, said the increases had been achieved within a food sector suffering limited growth, low consumer confidence and margin pressures.

He was confident the group would continue to benefit from increasing efficiency and the strategic shift away from low-margin distribution and into food processing.

The strongest performance came from the snacks division, built up on the back two rights issues (raising £20.7m) and three acquisitions in little more than a year.

Operating profits rose from £450,000 last year – which included less than three months of Playtime, the nuts and popcorn group purchased in July 1991, – to £1.3m.

Mr Gottesman said JLI had become the UK's number one processor and supplier of own label nuts with the acquisitions of TG Smith and Golden Twin during the first half.

Distribution suffered a decline in sales and profits as the group abandoned low margin business. Operating surplus fell from £840,000 to £730,000 on sales £5.8m lower at £21.3m. However, operating margins improved from 3.1 per cent to 3.4 per cent.

The group expected to benefit from the trend towards more adventurous eating in the UK through the acquisition in late September of Brookerpaks, distributor of high value products such as garlic and ginger.

The ingredients division saw profits fall 14 per cent to £550,000 on sales 38 per cent ahead to £14.9m.

The enlarged share capital depressed earnings per share from 3.4p to 3.2p. The dividend is raised just 0.05p to 1.55p.

NEWS DIGEST

Vistec improves to £1.31m

VISTEC GROUP, a supplier of computer systems, software and services, sustained its progress in the half year to October 31 despite continued deterioration in the economy.

The period saw sales rise 31 per cent and pre-tax profit 29 per cent to £18.7m (£14.3m) and £1.31m (£1.01m) respectively.

Earnings rose to 0.73p (0.56p) and the interim dividend is lifted to 0.125p (0.1p).

Scott Pickford

Lower income from integrated studies and geoscience consulting left Scott Pickford's pre-tax profits for the half year to September 30 down by 46 per cent to £103,167 on sales 12 per cent lower at £1.08m.

The pre-tax figure included a higher contribution of £29,000 (£22,000) from net interest received. Earnings per share emerged at 1p (1.8p).

This USM-quoted consultant, which services oil companies, said that computer services continued to perform well.

United Drug

United Drug, the Irish pharmaceutical and consumer products group, increased its pretax profit by nearly 15 per cent, from I£2.69m to I£3.09m, or £3.36m, in the year ended September 30 1992.

Turnover rose 21 per cent to I£76.4m (I£63m), reflecting expansion into non-pharmaceutical areas combined with successful management of the core pharmaceutical activities.

Each of the divisions reported satisfactory results. In particular substantial profit growth was achieved in the pharmaceutical distribution and consumer products sides.

Earnings per share came to 17.6p (15.88p). The final dividend is 4.65p for a total of 6.7p (6.25p).

MONTHLY AVERAGES OF STOCK INDICES

	November	October	September	August
FT-SE Actuaries Indices				
100 Index	2712.9	2587.1	2452.4	2344.1
Mid 250	2599.3	2458.6	-	-
350 Share	1310.4	1244.9	-	-
Industrial Group	1351.58	1292.31	1236.99	1199.23
500 Share	1425.57	1364.42	1301.03	1258.02
Financial Group	844.43	772.13	701.50	660.35
All-Share	1264.98	1221.45	1156.91	1114.83
Eurotrack 100	1047.08	1002.16	1050.44	1039.99
Eurotrack 200	1112.27	1074.88	1089.87	1073.01
FT Indices				
Government Securities	94.27	91.18	89.00	88.11
Fixed Interest	108.98	105.10	104.82	104.58
Ordinary	2023.1	1899.1	1794.5	1741.1
Gold Mines	87.6	72.7	75.0	83.6
SEAQ Bargains(4.45pm)	27,338	23,627	23,767	17,883

	Highest Close	Lowest Close
FT-SE 100	2778.8 (30th)	2587.8 (2nd)
FT-SE Mid 250	2637.5 (30th)	2541.8 (2nd)
FT-SE 350	1339.7 (30th)	1294.9 (2nd)
FT-A All Share	1313.02 (30th)	1269.55 (2nd)
Ordinary	2095.9 (30th)	1996.1 (2nd)

COMPANY NEWS: UK

The Fril of European growth

Andrew Bolger on Hays' plans for transforming distribution

BRITISH companies are poised to transform continental Europe's retail distribution industry over the next few years, according to Mr Ronnie Frost, executive chairman of Hays, the business services group.

Hays is one of the small group of companies which provide distribution, through dedicated warehouses and transport fleets, on contract to leading retailers such as J. Sainsbury, Marks and Spencer and Tesco.

Mr Frost believes it was the strategic decision taken about 25 years ago by British retailers to take control of their own distribution which has given them the whiphand over manufacturers, and allowed them to enjoy profit margins double the level of their European counterparts.

"The retailer can't get too aggressive with price if the manufacturer controls the distribution, because if you do the manufacturer says 'well, in that case I won't let you have my product'," Mr Frost says.

His belief that continental retailers are bound to move in the same direction lies behind Hays' recent acquisition of Groupe Fril, a privately-owned French distributor. The £37.5m deal is the first overseas move by Hays, which was floated in 1989 and has been growing steadily towards membership of the FT-SE 100.

Hays would eventually like to have 30 per cent of its earnings outside the UK, but Mr Frost insists: "We will only buy businesses which fit perfectly, and are good businesses. I won't rush around and buy companies for the sake of it."

The UK group is still looking to make acquisitions in Germany, Spain and Portugal. It hired a management consultancy to select businesses in France and Germany, albeit less sophisticated than British distributors, which were good companies but not necessarily sellers.

Mr Frost says: "They came up with a list of 100 names. We met 12, selected three, progressed on Fril and are still talking to the other two."

British distribution companies do not have an unblemished record of expanding into Europe. Christian Salvesen last year wrote off £12.9m on an unrealistically priced contract with a German frozen food subsidiary of Unilever, the Anglo-Dutch group.

Hays has sought to avoid such mistakes by keeping the existing management of Fril, with the present chairman and chief executive working on a three-year earn-out.

Mr Frost says: "What is important in acquiring a continental business is that you do need local knowledge and local culture, which means you have got to keep the management. This is the mistake that other British companies have made over the last four-to-five years. They have all acquired, paid cash and within six months the management has gone.

"With Fril we got extremely close. We were able to advise and help them, even before we bought the business. We then agreed a price and liked the two managers. We're looking for European management in the future, and we believe the two people are good enough to be part of that structure."

He added: "We wanted them to earn as much from the business as possible, so we persuaded them that cash down and an earn-out was the best way, particularly as they wanted to stay with the business. It was very difficult, because in France this earn-out principle isn't known at all. Introducing them to people in Hays who had done earn-outs persuaded them that this was the best thing to do."

Hays' acquisition efforts are led by Mr Graham Williams, the group's corporate development director, who was finance director until the beginning of this year. Before joining Hays in 1983 he was deputy managing director of Barclays Development Capital and prior to that he worked for Charterhouse, representing the bank on corporate boards in France and Germany.

Mr Williams speaks fluent French and German, and Hays is aware of the importance – and perils – of dealing with different languages within the group. Although Fril's main board meetings are conducted in English, an interpreter is always present so that executives can make, and hear, important points in their own language.

Fril mainly distributes for manufacturers, in common with other French distributors, although it also does work for retailers such as Carrefour, the hypermarket group.

Mr Frost says: "I can see Fril still working for the manufacturers for a long while yet. But for any retailer that wants to go the dedicated, sole-distribution route, we could set up facilities for them, still under Hays Fril.

"This could go into non-food directions, clothes and the like. We've got some UK customers involved in France that are looking for UK-style central distribution."

Hays is also interested in making European acquisitions on the commercial side, such as archive storage, document exchange and postal systems. Mr Frost does not rule out making acquisitions in the third area of his group, personnel, but says the present legal framework makes that a much less immediate option.

The UK group can bring immediate benefits to Fril, such as the huge discounts which Hays can obtain on commercial vehicles, trailers and refrigeration equipment. However, Mr Frost clearly has much more ambitious plans, on a European scale.

Hays has sole agency in the UK for Seagrams, the Canadian drinks group, and also for Moet Hennessy, LVMH's champagne and brandy businesses. Fril has the same arrangements in France, for which it has designed and produced a computer system to control stock at both companies and other companies.

"What both of those companies would like to do is have a European network of stock, not to have dump stock in each country, but have stocks in the most convenient country for the whole of Europe, says Mr Frost.

"If you're going to have spirits, the UK is the place, if you're going to have wine – obviously France. Computer-controlled movement of stocks between warehouses could be built into a pan-European distribution network."

Tony Andrews

Ronnie Frost: keeping an eye on further possible purchases

Hays has spent a total of £65m on acquisitions since it was floated in October, 1989 – all being commercial and distribution businesses in the UK, apart from Fril. Since then, the market value of the group has grown from £393m to its current level of £825m. Pre-tax profits have also grown from £34.4m to £57.4m, although their rate of advance has been checked by recession. The group's distribution and commercial activities have continued to perform strongly, but profits from the personnel businesses – specialising in recruiting accountancy staff – have fallen sharply since 1990.

Monarch sells stake in Ewart for loss

By Tim Coone in Dublin

MONARCH Properties, the private Dublin-based property developer, has sold its 29.2 per cent stake in Ewart, the publicly-quoted Northern Ireland property company, for a figure "upwards of 80p per share" according to a spokesman for Monarch. The sale has resulted in a substantial loss to Monarch.

Ewart is the lead developer for the £100m Laganside scheme in central Belfast, which involves construction of a concert hall, 200-bedroom hotel and 400,000 sq ft of offices, and has other property developments throughout the UK.

Site work on the Laganside project is expected to start in March.

Last September, Mr Philip Monahan, chairman of Monarch, called an extraordinary meeting in an attempt to oust four of Ewart's eight-man board, and replace them with two of his own nominees, "with a view to radically redefining the strategic direction of Ewart".

His aim was to steer Ewart towards property development in the Republic, but there was suspicion on the board that he simply wanted to sell some of his own developments there into Ewart.

At the time of the boardroom battle, Mr Monahan was not prepared to give state that he was not planning such a move. His boardroom coup was narrowly defeated.

Monarch's 5.5m shares in Ewart were bought at an average price of 125p, and the beneficial owner to whom they have been sold is Texas-based property developer Mr Claude Mayer.

Mr Barry Gilligan, managing director of Ewart, said yesterday: "I have been assured by Mr Monahan's legal representatives that Mr Mayer's intentions are friendly and that he will not be making a full bid.

"I can only hope our relationship with Mr Mayer will be better than it was with Mr Monahan."

Verson moves back into the black with turnround to £1.08m

Paul Cheeseright, Midlands Correspondent

GREATER stability returned to the affairs of Verson International, the Midlands-based machinery manufacturer, during its first half when it turned in pre-tax profits of £1.08m.

This compared with a loss of £4.7m in the 1991 first half and a pre-tax deficit for the year to last January of £12.3m.

Earnings for the six months to July were 0.72p (losses 3.42p) but again there will be no interim dividend.

However, Verson is planning a capital reduction in order, "to restore the company to a position where, technically, it can resume payments of dividends in the future."

Verson is now entering a new phase of its existence on the back of the sale of one US company, Taylor-Winfield, and the purchase of another, Niagara, the development of tighter links with C Itoh and Hitachi of Japan and a series of new banking arrangements.

During the first half, when turnover at £39.05m was marginally lower than the £40.04m recorded in the same period of 1991, all but one of the UK companies, now almost solely dependent on exports, traded profitably. And there has been a substantial improvement in the US orderbook.

But the first half figures are flattered by the one-off royalty payment of £3.8m from C Itoh, while the effect of higher orders on the profit-and-loss account will not been seen until the next financial year.

Typically, Verson products have a delivery period of nine or more months. This suggests that pre-tax profits in the second half will be lower than in the first and that the benefit of a stronger flow of orders will not be fully felt until 1993-94.

NEWS DIGEST

Borthwicks advances to £1.28m

PRE-TAX profits of Borthwicks, the natural flavours and food products group, increased by £344,000 to £1.28m in the six months to September 26.

The pre-tax figure was boosted by cash received and the release of a provision amounting to £442,000 from a discontinued operation. Profits for the comparable period last time were depressed by reorganisation costs totalling £346,000.

Turnover from continuing operations increased from £22.8m to £23.2m. The interest charge fell slightly to £324,000 (£356,000).

Mr John Thomson, chairman, said the results had been achieved against a backdrop of deepening recession, not only in the UK but throughout the developed industrial world, which affected all the group's operations.

The interim dividend is being maintained at 0.5p, payable from earnings per share of 1.9p (1.2p).

East Surrey slight increase to £2.92m

East Surrey Holdings, whose principal activity is the supply of drinking water in east Surrey, parts of Kent, Sussex and the London Borough of Croydon, reported a marginal increase from £2.86m to £2.92m in pre-tax profits for the six months ended September 30 in spite of a 16 per cent increase to £12.04m in sales.

The interim dividend is being raised from 3.56p to 4.1p per share out of unchanged earnings of 19.9p.

Regina back into profitable trading

A fall in sales and increased exceptional charges lifted the pre-tax loss of Regina, the international brand leader in Royal Jelly products, to £1.23m in the year ended August 31 1992.

Turnover came to £1.91m, compared to £3.21m in the previous 14 months. The previous loss was £505,000.

However, the group had traded profitably in September and October. Sales in November were ahead of budget and a profit was forecast for the month.

Exceptional charges came to £490,000 (£252,000). Losses worked through at 0.91p (0.29p).

Crown Eyeglass up 13% and sees more

Crown Eyeglass, the USM-quoted spectacles manufacturer and distributor, advanced 13 per cent to pre-tax profits of £274,000 in the half year to September 27, against £242,000 last time.

The company said the improvement had continued in the second half.

Turnover was lower at £1.78m (£1.91m). Earnings per share were 11.6p (10.2p). The interim dividend has been increased from 2p to 2.5p.

Sharp recovery at European Colour

A sharp recovery in pre-tax profits is reported by European Colour, the manufacturer of chemical colours more than 95 per cent of which are industrial pigments used predominately in printing inks.

Pre-tax profits for the six months to September 30 are up from £26,000 to £265,000 from sales which were marginally higher at £6.98m (£6.92m).

The interim dividend is increased by 10 per cent from 0.25p to 0.275 payable from earnings per share of 0.59p against 0.06p.

Assets decline at EFM Income Trust

Net asset value per ordinary share of EFM Income Trust stood at 37.7p at October 31 compared with 47.5p a year earlier. The value of the zero dividend preference shares rose from 39.1p to 41.4p.

Revenue for the six months came to £606,000, against £795,000, and earnings per share were 2.4p (3.2p). The second interim dividend is again 1.2p to hold the payment so far at 3.4p.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, November 30, 1992. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	65.5764	41.1398	52.7224
Albania	(Lek)	165.55	109.382	68.6217	87.9415
Algeria	(Dinar)	33.456	22.105	13.8677	17.7721
Andorra	(Fr Fr)	8.1925	5.4129	3.3958	4.3519
	(Sp Peseta)	173.70	114.767	72	92.2709
Angola	(Kwanza)	844.19	557.773	349.923	448.441
Antigua	(E Carr $)	4.0635	2.6848	1.6843	2.1585
Argentina	(Peso)	1.4992	0.9905	0.6214	0.7963
Aruba	(Florin)	2.6939	1.7799	1.1166	1.431
Australia	(Aus $)	2.2090	1.4595	0.9156	1.1734
Austria	(Schilling)	16.985	11.2223	7.0404	9.0225
Azores	(Port Escudo)	216.50	143.046	89.7409	115.007
Bahamas	(Bahama $)	1.5135	1	0.6273	0.8039
Bahrain	(Dinar)	0.5675	0.3749	0.2352	0.3014
Balearic Is	(Sp Peseta)	173.70	114.767	72	92.2709
Bangladesh	(Taka)	59.1044	39.0514	24.4992	31.3967
Barbados	(Barb $)	3.027	2	1.2547	1.6079
Belgium	(Belg Fr)	49.70	32.8377	20.601	26.401
Belize	(B $)	3.01	1.9887	1.2476	1.5989
Benin	(CFA Fr)	409.625	270.648	169.793	217.596
Bermuda	(Bermudian $)	1.5135	1	0.6273	0.8039
Bhutan	(Ngultrum)	42.6858	28.2033	17.6935	22.675
Bolivia	(Boliviano)	6.1103	4.0371	2.5327	3.2458
Botswana	(Pula)	3.3601	2.22	1.3927	1.7849
Brazil	(Cruzeiro)	14908.5	9850.35	6179.69	7919.52
Brunei	(Brunei $)	2.4685	1.6309	1.0232	1.3112
Bulgaria	(Lev)	36.636	24.2061	15.1859	19.4613
Burkina Faso	(CFA Fr)	409.625	270.648	169.793	217.596
Burma	(Kyat)	9.8485	6.5071	4.0822	5.2316
Burundi	(Burundi Fr)	343.50	226.957	142.383	182.47
Cambodia	(Riel)	3010.00	1988.77	1247.67	1598.94
Cameroon	(CFA Fr)	409.625	270.648	169.793	217.596
Canada	(Canadian $)	1.9465	1.286	0.8068	1.0339
Canary Is	(Sp Peseta)	173.70	114.767	72	92.2709
Cp. Verde	(CV Escudo)	94.2581	62.2782	39.0707	50.0707
Cayman Is	(CI $)	1.2792	0.8451	0.5302	0.6795
Cent.Afr. Rep	(CFA Fr)	409.625	270.648	169.793	217.596
Chad	(CFA Fr)	409.625	270.648	169.793	217.596
Chile	(Chilean Peso)	573.706	379.059	237.806	304.758
China	(Renminbi Yuan)	8.6635	5.7241	3.591	4.6021
Colombia	(Col Peso)	1206.54	797.185	500.12	640.924
CIS ‡	(Rouble)	0.8719o	0.576	0.3614	0.4631
		682.48m	450.928	282.893	362.539
Comoros	(CFA Fr)	409.625	270.648	169.793	217.596
Congo (Brazz)	(CFA Fr)	409.625	270.648	169.793	217.596
Costa Rica	(Colon)	206.09	136.168	85.4259	109.477
Côte d'Ivoire	(CFA Fr)	409.625	270.648	169.793	217.596
Croatia	(Dinar)	855.60	565.312	354.653	454.502
Cuba	(Cuban Peso)	1.14	0.7532	0.4725	0.6055
Cyprus	(Cyprus £)	0.7186	0.4747	0.2978	0.3817
Czechoslovakia	(Koruna)	43.406c	28.6792	17.9921	23.0576
		41.581	27.4727	17.2352	22.0876
Denmark	(Danish Kroner)	9.3375	6.1694	3.8704	4.9601
Djibouti Rep	(Djib Fr)	265.00	175.091	109.845	140.77
Dominica	(E Carrib $)	4.0635	2.6848	1.6843	2.1585
Dominican Rep	(D Peso)	19.565	12.9269	8.1098	10.393
Ecuador	(Sucre)	2897.12o	1914.19	1200.88	1538.97
		3010.00s	1988.77	1247.67	1598.94
Egypt	(Egyptian £)	4.99	3.2969	2.0683	2.6507
El Salvador	(Colon)	13.92	9.1972	5.7699	7.3944
Eqoat'l Guinea	(CFA Fr)	409.625	270.648	169.793	217.596
Estonia	(Kroon)	19.44	12.8444	8.058	10.3266
Ethiopia	(Ethiopian Birr)	7.4522	4.9238	3.0889	3.9586
Falkland Is	(Falk £)	1.00	0.6607	0.4145	0.5312
Faroe Is	(Danish Kroner)	9.3375	6.1694	3.8704	4.9601
Fiji Is	(Fiji $)	2.3650	1.5626	0.9803	1.2563
Finland	(Markka)	7.7690	5.1331	3.2203	4.1269
France	(Fr)	8.1925	5.4129	3.3958	4.3519
Fr. Cty/Africa	(CFA Fr)	409.625	270.648	169.793	217.596
Fr. Guiana	(Local Fr)	8.1925	5.4129	3.3958	4.3519
Fr. Pacific Is	(CFP Fr)	148.00	97.7865	61.3471	78.6188
Gabon	(CFA Fr)	409.625	270.648	169.793	217.596
Gambia	(Dalasi)	12.341	8.1539	5.1154	6.5556
Germany	(D-Mark)	2.4125	1.5939	1	1.2815
Ghana	(Cedi)	745.47	492.547	309.003	396
Gibraltar	(Gib £)	1.00	0.6607	0.4145	0.5312
Greece	(Drachma)	314.52	207.81	130.371	167.076
Greenland	(Danish Krone)	9.3375	6.1694	3.8704	4.9601
Grenada	(E Carr $)	4.0635	2.6848	1.6843	2.1585
Guadaloupe	(Local Fr)	8.1925	5.4129	3.3958	4.3519
Guam	(US $)	1.5135	1	0.6273	0.8039
Guatemala	(Quetzal)	8.0066	5.2901	3.3187	4.2531
Guinea	(Fr)	1222.50	807.73	506.736	649.402
Guinea-Bissau	(Peso)	7525.0	4971.92	3119.17	3997.34
Guyana	(Guyanese $)	188.86	124.784	78.2839	100.324
Haiti	(Goude)	15.8778	10.4907	6.5814	8.4344
Honduras	(Lempira)	8.8494	5.8469	3.6681	4.7008
Hong Kong	(HK $)	11.6765	7.7148	4.84	6.2026
Hungary	(Forint)	125.28	82.775	51.9295	66.5498
Iceland	(Icelandic Krona)	95.5779	63.1502	39.6177	50.7717
India	(Indian Rupee)	42.6858	28.2033	17.6935	22.675
Indonesia	(Rupiah)	3122.07	2062.81	1294.12	1658.47
Iran	(Rial)	2190.0v	1446.98	907.772	1163.35
		99.70o	65.8738	41.3264	52.9614
Iraq	(Iraqi Dinar)	0.5936	0.3922	0.246	0.3153
Irish Rep	(Punt)	0.9120	0.6025	0.378	0.4844
Israel	(Shekel)	4.079	2.695	1.6907	2.1667
Italy	(Lira)	2109.00	1393.46	874.197	1120.32
Jamaica	(Jamaican $)	35.518	23.4674	14.7224	18.8674
Japan	(Yen)	188.25	124.381	78.031	100
Jordan	(Jordanian Dinar)	1.0132	0.6694	0.4199	0.5382
Kenya	(Kenya Shilling)	53.73	35.5004	22.2715	28.5418
Kiribati	(Australian $)	2.2090	1.4595	0.9156	1.1734
Korea North	(Won)	3.2357	2.1378	1.3412	1.7188
Korea South	(Won)	1188.25	785.101	492.539	631.208
Kuwait	(Kuwaiti Dinar)	0.4537	0.2997	0.188	0.241
Laos	(New Kip)	1076.07	710.981	446.039	571.618
Lebanon	(Lebanese £)	2825.1	1866.6	1171.03	1500.72
Lesotho	(Maluti)	4.5527	3.008	1.8871	2.4184
Liberia	(Liberian $)	1.5135	1	0.6273	0.8039
Libya	(Libyan Dinar)	0.4351	0.2874	0.1803	0.2311
Liechtenstein	(Swiss Fr)	2.1750	1.437	0.9015	1.1553
Luxembourg	(Lux Fr)	49.70	32.8377	20.601	26.401
Macao	(Pataca)	12.0245	7.9448	4.9842	6.3875
Madagascar	(MG Fr)	2696.96	1781.94	1117.91	1432.65
Madeira	(Port Escudo)	216.50	143.046	89.7409	115.007
Malawi	(Kwacha)	6.4512	4.2624	2.674	3.4269
Malaysia	(Ringgit)	3.8195	2.5236	1.5832	2.0289
Maldive Is	(Rufiya)	17.4204	11.51	7.2208	9.2538
Mali Rep	(CFA Fr)	409.625	270.648	169.793	217.596
Malta	(Maltese £)	0.5547	0.3665	0.2299	0.2946
Martinique	(Local Fr)	8.1925	5.4129	3.3958	4.3519
Mauritania	(Ouguiya)	159.53	105.405	66.1264	84.7436
Mauritius	(Maur Rupee)	24.97	16.4981	10.3502	13.2642
Mexico	(Mexican Peso)	4699.00	3104.72	1947.77	2496.15
Miquelon	(Local Fr)	8.1925	5.4129	3.3958	4.3519
Monaco	(French Fr)	8.1925	5.4129	3.3958	4.3519
Mongolia	(Tugrik)	60.20	39.7753	24.9533	31.9787
Montserrat	(E Carr $)	4.0635	2.6848	1.6843	2.1585
Morocco	(Dirham)	12.3074	8.1317	5.1015	6.5377
Mozambique	(Metical)	4136.00	2732.74	1714.4	2197.08
Namibia	(S A Rand)	4.5527	3.008	1.8871	2.4184
Nauru Is	(Australian $)	2.2090	1.4595	0.9156	1.1734
Nepal	(Nepalese Rupee)	70.178	46.368	29.0893	37.2791
Netherlands	(Guilder)	2.7125	1.7922	1.1243	1.4409
N'nd Antilles	(A/Guilder)	2.6939	1.7799	1.1166	1.431
New Zealand	(NZ $)	2.9535	1.9514	1.2242	1.5689
Nicaragua	(Gold Cordoba)	7.525	4.9719	3.1191	3.9973
Niger Rep	(CFA Fr)	409.625	270.648	169.793	217.596
Nigeria	(Naira)	29.27	19.3392	12.1326	15.5484
Norway	(Nor Krone)	9.8650	6.518	4.0891	5.2403
Oman	(Rial Omani)	0.5794	0.3828	0.2401	0.3077
Pakistan	(Pak. Rupee)	38.4668	25.4157	15.9447	20.4338
Panama	(Balboa)	1.5135	1	0.6273	0.8039
Papua New Guinea	(Kina)	1.4860	0.9818	0.6159	0.7893
Paraguay	(Guarani)	2395.98	1583.07	993.152	1272.76
Peru	(New Sol)	[illegible]	[illegible]	[illegible]	[illegible]
Philippines	(Peso)	37.324	24.6607	15.471	19.8268
Pitcairn Is	(£ Sterling)	1	0.6607	0.4145	0.5312
	(NZ $)	2.9535	1.9514	1.2242	1.5689
Poland	(Zloty)	23341.00	15421.9	9675.03	12398.4
Portugal	(Escudo)	216.50	143.046	89.7409	115.007
Puerto Rico	(US $)	1.5135	1	0.6273	0.8039
Qatar	(Riyal)	5.4782	3.6195	2.2707	2.91
Reunion Is. de la	(F Fr)	8.1925	5.4129	3.3958	4.3519
Romania	(Leu)	648.44	428.437	268.783	344.457
Rwanda	(Fr)	222.13	146.765	92.0746	117.997
St Christopher	(E Carr $)	4.0635	2.6848	1.6843	2.1585
St Helena	(£)	1.00	0.6607	0.4145	0.5312
St Lucia	(E Carr $)	4.0635	2.6848	1.6843	2.1585
St Pierre	(French Fr)	8.1925	5.4129	3.3958	4.3519
St Vincent	(E Carr $)	4.0635	2.6848	1.6843	2.1585
San Marino	(Italian Lira)	2109.00	1393.46	874.197	1120.32
Sao Tome	(Dobra)	[illegible]	[illegible]	[illegible]	[illegible]
Saudi Arabia	(Riyal)	5.6722	3.7477	2.3511	3.0131
Senegal	(CFA Fr)	409.625	270.648	169.793	217.596
Seychelles	(Rupee)	7.75	5.1205	3.2124	4.1168
Sierra Leone	(Leone)	763.035	504.153	316.284	405.331
Singapore	($)	2.4685	1.6309	1.0232	1.3112
Slovenia	(Tolar)	[illegible]	[illegible]	[illegible]	[illegible]
Solomon Is	($)	4.5923	3.0343	1.9036	2.4395
Somali Rep	(Shilling)	[illegible]	2605.29	1634.45	2094.61
South Africa	(Rand)	4.5527c	3.008	1.8871	2.4184
		[illegible]	[illegible]	[illegible]	[illegible]
Spain	(Peseta)	173.70	114.767	72	92.2709
Spanish Ports in N Africa	(Sp Peseta)	173.70	114.767	72	92.2709
Sri Lanka	(Rupee)	[illegible]	44.1486	27.6969	35.4948
Sudan Rep	(Pound)	[illegible]	[illegible]	[illegible]	[illegible]
Surinam	(Guilder)	2.6864	1.7749	1.1135	1.427
Swaziland	(Lilangeni)	4.5527	3.008	1.8871	2.4184
Sweden	(Krona)	10.3400	6.8318	4.286	[illegible]
Switzerland	(Fr)	2.1750	1.437	0.9015	1.1553
Syria	(£)	[illegible]	20.882	13.1005	[illegible]
Taiwan	($)	[illegible]	[illegible]	15.886	[illegible]
Tanzania	(Shilling)	[illegible]	[illegible]	[illegible]	[illegible]
Thailand	(Baht)	[illegible]	[illegible]	[illegible]	[illegible]
Togo Rep	(CFA Fr)	409.625	270.648	169.793	217.596
Tonga Is	(Pa Anga)	2.2090	1.4595	0.9156	1.1734
Trinidad/Tobago	($)	[illegible]	[illegible]	[illegible]	[illegible]
Tunisia	(Dinar)	[illegible]	0.9269	0.5815	[illegible]
Turkey	(Lira)	[illegible]	[illegible]	[illegible]	[illegible]
Turks & Caicos	(US $)	1.5135	1	0.6273	0.8039
Tuvalu	(Australian $)	2.2090	1.4595	0.9156	1.1734
Uganda	(New Shilling)	[illegible]	[illegible]	[illegible]	[illegible]
U A E	(Dirham)	5.5570	3.6715	2.3033	[illegible]
United Kingdom	(£)	1.00	0.6607	0.4145	0.5312
United States	(US $)	1.5135	1	0.6273	0.8039
Uruguay	(Peso)	[illegible]	[illegible]	[illegible]	[illegible]
Vanuatu	(Vatu)	[illegible]	[illegible]	[illegible]	[illegible]
Vatican	(Lira)	2109.00	1393.46	874.197	1120.32
Venezuela	(Bolivar)	[illegible]	[illegible]	[illegible]	[illegible]
Vietnam	(Dong)	[illegible]	[illegible]	[illegible]	[illegible]
Virgin Is-British	(US $)	1.5135	1	0.6273	0.8039
Virgin Is-US	(US $)	1.5135	1	0.6273	0.8039
Western Samoa	(Tala)	[illegible]	[illegible]	[illegible]	[illegible]
Yemen (Rep of)	(Rial)	[illegible]	[illegible]	[illegible]	[illegible]
Yemen (Rep of)	(Dinar)	[illegible]	[illegible]	[illegible]	[illegible]
Yugoslavia	(New Dinar)	[illegible]	[illegible]	[illegible]	[illegible]
Zaire Rep	(Zaire)	[illegible]	[illegible]	[illegible]	[illegible]
Zambia	(Kwacha)	[illegible]	[illegible]	[illegible]	[illegible]
Zimbabwe	($)	[illegible]	[illegible]	[illegible]	[illegible]

Special Drawing Rights November 25, 1992 United Kingdom £0.908216 United States $1.38612 Germany D Mark [illegible] Japan Yen[illegible]
European Currency Unit Rates November 30, 1992 United Kingdom £[illegible] United States $[illegible] Germany D Mark [illegible] Japan Yen[illegible]

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) Preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate; (u) Currencies fixed against the US Dollar; (v) Floating rate; ‡ CIS applies to states in the Rouble Zone. Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5. Monday, November 30, 1992.

BRADFORD & BINGLEY BUILDING SOCIETY
£150,000,000
Floating Rate Notes
Due 1994

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three month interest period from (and including) 30th November 1992 to (but excluding) 26th February 1993, the Notes will carry a rate of interest of 7.53125 per cent. per annum. The relevant interest payment date will be 26th February 1993. The coupon amount per £10,000 Note will be [illegible] against surrender of Coupon No. 15.

Hambros Bank Limited
Agent Bank

WOOLWICH BUILDING SOCIETY
£275,000,000
Floating Rate Loan Notes
Due 1995
("The Notes")

[illegible]

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three month interest period from (and including) 26th November 1992 to (but excluding) 26th February 1993, the Notes will carry an interest rate of [illegible] per cent. per annum. The relevant interest payment date will be 26th February 1993. The coupon amount per £10,000 Note will be [illegible] against surrender of Coupon No. [illegible].

Hambros Bank Limited
Agent Bank

This Notice does not constitute an offer of securities of Associated Newspapers Holdings Limited
It is for the information of the Holders of the Bonds referred to below.

NOTICE

To Holders of the outstanding

£60,000,000
8 1/4% Guaranteed Exchangeable Bonds Due 2003
of
ASSOCIATED NEWSPAPERS HOLDINGS LIMITED
(formerly Associated Newspapers Holdings plc)

Holders of the above Bonds (the "Bondholders") are hereby informed that:

(a) on 19th November, 1992, Bankers Trustee Company Limited, as the Trustee under the Trust Deed constituting the Bonds dated 10 January, 1989, and made between Associated Newspapers Holdings plc, Daily Mail and General Trust plc and Bankers Trustee Company Limited (the "Trust Deed"), gave its consent pursuant to the substitution provisions contained in Clause 28 of the Trust Deed to the substitution of Daily Mail and General Trust plc (previously the Guarantor of the Bonds) as the issuer of the Bonds in place of Associated Newspapers Holdings Limited; and

(b) pursuant to a Supplemental Deed dated 19th November, 1992 (the "Supplemental Deed"), which is supplemental to the Trust Deed, Daily Mail and General Trust plc has been substituted as the issuer of the Bonds in place of Associated Newspapers Holdings Limited.

Particulars of the aforementioned change will be circulated by Extel Financial Limited in its statistical service.

This Notice is given by:

ASSOCIATED NEWSPAPERS HOLDINGS LIMITED

FIRST AUSTRALIA PRIME INCOME INVESTMENT COMPANY LIMITED

Notice to the holders of the bearer International depositary receipts ("IDRs") issued pursuant to a Deposit Agreement (the "Deposit Agreement") between First Australia Prime Income Investment Company Limited (the "Company") and Morgan Guaranty Trust Company of New York (the "Depositary") dated 11th June, 1986 evidencing ordinary shares of US$1.00 par value each in the capital of the Company.

NOTICE OF TERMINATION OF DEPOSIT AGREEMENT

NOTICE IS HEREBY GIVEN that the Deposit Agreement will be terminated with effect from Monday 1st February, 1993, in accordance with the terms and conditions of issue of the IDRs. IDR-holders are now entitled to obtain delivery of the Deposited Property relative to each IDR upon surrender of their IDRs together with all unmatured coupons appertaining thereto to the Depositary at the address given below accompanied by a duly executed order to be delivered to, or to the order of the person(s) designated in such order.

Against such surrender, the Depositary will deliver the underlying shares at the address specified.

IDR-Holders may withdraw the Shares evidenced by their IDRs without liability for payment of the charges otherwise payable to the Depositary.

At any time after the expiration of two years from the date of termination, the Depositary shall sell the Deposited Property then held by it under the Agreement.

DEPOSITARY
Morgan Guaranty Trust Company of New York
Avenue des Arts 35, B-1040 Brussels, BELGIUM

EUROPEAN INVESTMENT BANK
YEN 35,000,000,000
FLOATING RATE NOTES 1992-2008

In accordance with the provisions of the above Notes, notice is hereby given that for the six months from November 30, 1992 to May 28, 1993 the Notes will carry an interest rate of 3.3125 per cent per annum.

The interest payable on the next interest payment date, May 28, 1993, will be YEN 16,470 in respect of each YEN 1,000,000 Note, YEN 164,704 in respect of each YEN 10,000,000 Note and YEN 823,524 in respect of each YEN 50,000,000 Note.

FISCAL AND PRINCIPAL PAYING AGENT

BANQUE INTERNATIONALE A LUXEMBOURG

COMMODITIES AND AGRICULTURE

Big aluminium and nickel output cuts announced

By Kenneth Gooding, Mining Correspondent

SUBSTANTIAL PRODUCTION cuts were announced yesterday by Pechiney, Europe's biggest aluminium producer, and Falconbridge, the second-largest nickel group outside the former Soviet Union.

Traders said this caused some chaotic conditions in the London Metal Exchange's nickel market. Prices rose very strongly last week, by $800 a tonne to touch a peak of $6,100, and this attracted some determined selling yesterday.

Falconbridge's announcement caused prices to fluctuate in a wide, $265 a tonne, range at one stage but the downward pressure was relentless and in after-hours dealing nickel was quoted at $5,812.50 a tonne, down $257.50.

Aluminium was boosted to a nine-week LME peak of $1,334 a tonne by Pechiney's announcement but the price later fell back to close at $1,221.50 a tonne, up $2 on the day.

Pechiney said it would close permanently its high-cost, 31,000-tonnes-a-year smelter at Venthon in the south of France. It also will reduce the operating rate of other smelters – at Flessingue in the Netherlands and Auzat, Lannemezan and Saint-Jean in France – to 80 per cent of capacity which means temporarily cutting annual output by 79,000 tonnes. Pechiney's workforce of 3,954 will be cut by 337. The group has an annual primary aluminium capacity of about 1m tonnes.

Mr Nick Moore, analyst at Ord Minnett, part of the Westpac banking group, pointed out that this would take total annual aluminium capacity cuts announced by the industry since June last year to 1.07m tonnes but new capacity had come into operation and the western industry was heading for record output of more than 15m tonnes this year.

Falconbridge, which is jointly owned by Noranda of Canada and Trelleborg of Sweden, cited weak prices, high stocks, increasing costs and a poor market outlook for its decision to cut 200 jobs at its Sudbury division in Canada and 4,000 tonnes of nickel output next year by temporary shutdowns at Sudbury and the Nikkelverk refinery in Norway. This is on top of cuts of 7,000 tonnes announced last month.

The company's Dominican Republic operations will also shut for three months next year, resulting in another 7,700-tonnes cut in output. Falconbridge said in total it was removing 18,700 tonnes of nickel from the market in 1993.

Mr William Adams, analyst at Rudolf Wolff, the commodity broker, suggested Falconbridge's cuts were larger than expected and helped to justify last week's rally. However, Mr Angus MacMillan, research manager at Billiton-Enthoven Metals, part of the Royal Dutch/Shell group, thought the market would once again see these producer cuts as "too little, too late".

Argentina to woo mining investors

By David Lascelles in Buenos Aires

ARGENTINA WILL shortly be putting forward a new draft law to encourage foreign investment in the mining industry, probably this week.

Mr Erman Gonzalez, the defence minister, said in an interview that the law would be along the lines of the Houston Plan, which has opened up Argentina's oil industry to foreign capital. The defence ministry is closely involved in the government's plans to liberalise Argentina's industry and natural resources because these sectors were previously under state control, partly for military reasons.

Mr Gonzalez said the new law would grant investors a ten-year tax holiday and eliminate curbs on foreign capital. He added, however, that the state would preserve a stake in the country's mineral reserves to retain a measure of control.

Although Argentina's mineral assets are thought to be considerable , there has so far been little exploration activity because of the high level of state control and inadequate infrastructure.

One feature of the new mining law will permit companies to deduct any money spent on environmental protection from corporation tax payments.

Mr Gonzalez also confirmed that the first stage in the privatisation of YPF, the state oil company, would begin in the first quarter of next year. The government will retain 20 per cent of the company for itself.

Argentina is also in the process of privatising the domestic gas distribution network. Bids are due in by the end of the year. So far, 21 companies have expressed an interest, many of them foreign.

Yeltsin signs oil privatisation decree

By Leyla Boulton in Moscow

RUSSIAN PRESIDENT Boris Yeltsin has finally signed a decree spelling out limited privatisation plans for the country's lucrative oil industry, giving foreigners the right to acquire up to 15 per cent of oil companies.

The decree on transforming oil enterprises into joint stock companies preserves a controlling stake for the government and entitles workers primarily to non-voting shares. The decree creates a trust called Rosneft to manage the state's stakes in most oil enterprises. But it in turn enables Rosneft to delegate management responsibilities to unspecified commercial structures, which will presumably be run by the enterprises' existing managers. Three vertically-integrated holding companies, whose operations will range from oil wells to petrol pumps, will absorb the rest the res of the enterprises.

The three are Lukoil, the country's first vertically-integrated company, Surgut and Yukos. Shares will begin to be sold off both in enterprises within the Rosneft orbit and the three holding companies to outside investors next year. Details of these sales however have yet to be finalised.

Meanwhile, Mr Andrei Nechayev, the economics minister, announced that the government would soon lower export tariffs for oil from Ecu30 (£24.20) to 22 a tonne, while his colleague, Mr Peter Aven, the foreign economic relations minister, said it would press ahead with plans to recentralise exports to get a better grip on hard currency revenues.

Chilean group seeks joint venture partners

By Leslie Crawford in Santiago

CODELCO, THE state-owned Chilean copper corporation, is seeking joint ventures with mining multinationals to explore four of its mining prospects.

Mr Jorge Bande, Codelco's planning director, said he would invite 20 mining companies this week to study the projects on offer. Two are copper deposits in the Atacama desert, and two are gold prospects close to La Coipa and El Hueso, gold mines already in operation.

Mr Bande said these were the first of several prospects Codelco wanted to explore as joint-ventures, following the passage of recent legislation that authorised the state-owned company to forge partnerships with the private sector.

Codelco, the world's biggest copper producer, owns about a third of the registered mining property in Chile. Its exploration work, however, has been limited by budget constraints dictated by the finance ministry. Mr Bande sees the joint-ventures as a way of tapping the vast mineral potential that Codelco is unable to develop on its own.

"We are opening a whole field of exploration that was previously closed to the private-sector mining industry," Mr Bande said. "It will also allow Codelco to share the risk of exploration ventures."

Mr Bande did not name the mining companies that had been selected to consider the first four mining prospects. He would only say that they were companies already established in Chile with active exploration projects. They are being invited to bid for risk contracts.

Codelco will effectively be a sleeping partner: it will offer its mining properties, while the partner will be responsible for meeting the costs of exploration work. This, Mr Bande said, would give Codelco's partners the right to acquire a share of the mining property if the deposits were judged to be worthy of commercial exploitation.

Several mining multinationals in Chile have expressed an interest in teaming up with Codelco for exploration work. Broken Hill Proprietary of Australia, which operates the huge La Escondida copper mine in the Atacama desert, recently opened its offices for South America in Santiago. It has earmarked $3m a year for prospecting projects in Latin America, just under half of which will be spent in Chile. Mr Jose Cabello, BHP's explorations manager, said he hoped his company would be included in Codelco's list of potential partners.

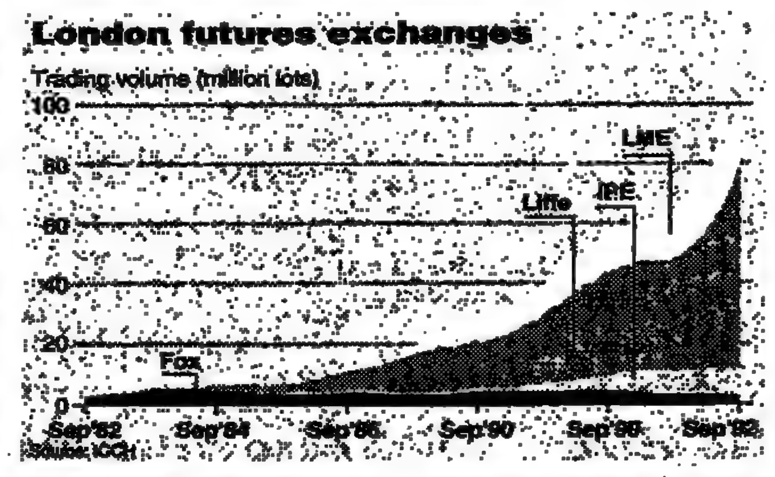
Placer Dome and Falconbridge of Canada are also locating their exploration headquarters for Latin America in Santiago, supporting Chile's claim to being the top country for mining exploration in the region.

Fox tries to dig itself out of a hole

David Blackwell on London's troubled soft commodities exchange

FOX HAS proved to be a singularly inappropriate acronym for the Futures and Options Exchange, which trades London's soft commodity contracts.

Far from showing the traditional cunning of its namesake, London Fox appears to have loped off in totally the wrong direction. In the year to the end of last March the exchange reported a loss of £691,000 on revenues of £10m, largely because of the property futures debacle in September 1991, which led to exceptional costs of just under £1m. A round of job cuts followed in May.



The boom years of the 1980s, when volumes soared on the London Metal Exchange and Liffe, passed London Fox by. It made pioneering, but ill-fated attempts to boost volume through contracts – including property futures – on a screen-based trading system.

Now the only survivor on the screen trading system is ironically the first contract launched on it – white sugar, which trades up to 1,500 lots a day. Contracts for rice, rubber, arabica coffee and a base metals index all failed. The raw sugar contract, which on one day last week traded a mere 15 lots, was switched from floor to screen and back to the floor again in just 12 months.

Such a scatter-gun approach to the markets was "an absolute disaster", admitted Mr Michael Jenkins, the chief executive of Liffe who became chairman of Fox earlier this year. But he dismissed as "pretty small" the effect of the property futures fiasco, which led to the Securities and Futures Association fining five brokers up to £80,000 each for creating a false impression of investor interest in the market.

"It undoubtedly damaged morale at the exchange and it left a nasty taste in the mouth. . . but I don't think people stayed away because they could not trust the market," he said.

However, it did fundamentally change the direction of the exchange away from innovation towards a re-examination of its central business, according to Mr Robin Woodhead, the chief executive who started work at the beginning of October. He replaced Mr Phillip Thorpe, deputy chief executive of the SFA, who took over on a temporary basis when Mr Mark Blundell and Mr Saxon Tate resigned over the property futures affair.

There is little doubt that the appointments of Mr Jenkins and Mr Woodhead, who played a central role in setting up London's International Petroleum Exchange, are seen as the best chance for a long time to put Fox back on the right course. "It's good news," said one trader. "They are two very experienced people. If they can't get it going we might as well all pack up and go home."

Mr Woodhead plans to revive Fox's fortunes by focussing on the core contracts. He believes its activities fall into two areas – the traditional cocoa, coffee and sugar of the old London Commodities Exchange, and the small volume contracts of the former Baltic Futures Exchange, which merged with Fox last year.

"People have lost sight of the fact that some of the existing contracts are doing extremely well," he said, pointing out that the London cocoa contract set the international benchmark prices for the industry.

"The Baltic contracts came over to Fox just before the changes that took place in senior management so very little attempt has been made to evaluate and analyse what potential they have," he said. The contracts include freight futures, grains and potatoes.

Both Mr Woodhead and Mr Jenkins pointed out that several reviews of the exchange by consultants basically gave it a clean bill of health. But they agreed that Fox had some big problems – most obviously in the raw sugar and agricultural contracts. "In the medium term I think we feel there is room for agricultural futures to be traded in Europe and that Fox is the only exchange that has ambitions in this direction," said Mr Jenkins.

"The Gatt discussions and the impact they have on the CAP [the European Community's common agricultural policy] won't of themselves produce a lot more free trade immediately," said Mr Woodhead. "But they do indicate that the trend is against intervention and that must be to the benefit of the futures markets."

Raw sugar could prove a bigger problem. London used to set the international benchmark price, but that role has been taken over by the relatively young New York market, which attracts a lot of speculative money. Critics have blamed London's decline in the raws trade on the failed experiment in screen trading, but Mr Jenkins believes the decline took place over a decade, mainly because of underlying changes in the physical market. "I think Fox frankly took its eye off the ball," he said.

The London raw contract was designed with British Commonwealth producers in mind, said Mr Woodhead. But there had been a fundamental change in the way raws were traded, with much more sugar coming out of the Far East and South America. At the same time the number of big sugar traders in London had declined significantly.

Nonetheless, both men felt sugar trading would continue at Fox. "We are urgently looking at what we should do but we haven't come to a conclusion," said Mr Jenkins.

Other problems with which they will have to get to grips include a sharp decline in robusta coffee futures trading (although options volume is well up); the fall from 22 in 1990 to just five locals (traders who buy and sell for their own account); and the fact that the exchange lost its marketing department during the summer job cuts.

Fox still has more than 60 members and has recently had inquiries from potential newcomers. Mr Woodhead is keen to re-establish contact with members and to discuss ways of increasing their business activity on the exchange. But he is also well aware of the changing nature of the commodities business.

He pointed out that when a big member like Drexel Burnham Lambert or Woodhouse Drake & Carey disappeared, the capital that was supporting them was also lost to the market. However, the development of over-the-counter business was bringing new capital into the market and big financial groups that had given commodities a wide berth in the past were now looking at ways of providing a complete derivative brokerage service, he said.

Mr Woodhead also believes it is all too easy to write off futures exchanges. "At various times in the last 10 years all of the London futures exchanges have been described as being about to close. Notwithstanding the problems over the property contracts, one must remember that the traditional London Fox commodities are trading at extensive cyclical lows," he said. "One has to see the potential for the exchange in the light of that trend. So don't write us off yet."

Rubber organisation may have to resume buying

By Kieran Cooke in Kuala Lumpur

AS PRODUCER and consumer members of the International Natural Rubber Organisation continue discussions here on whether or not to proceed with a new international rubber agreement, Inro's buffer stock manager has said that he might have to resume buying shortly in order to stop a further slide in prices.

Mr Aldo Hofmeister said that with the industrialised economies still facing difficulties there was little sign of a pick up in rubber demand in the short term. "With additional production and with no increase in offtake by consumers it could develop to a point where I could intervene," said Mr Hofmeister.

Inro last purchased rubber stocks in October and now has stockpiles of more than 160,000 tonnes. Market analysts say that if prices do not rise sharply in the next month a downward revision of Inro's buffer stock reference price is inevitable early in the new year. The reference price, which reflects production and market conditions, determines when the Inro buffer stock manager should buy or sell rubber. Analysts expect a 5 per cent cut in the price to be made at a further Inro meeting in January.

The present meeting here of the Inro council, dominated by discussions on a new International Natural Rubber Agreement, is due to end tomorrow.

WORLD COMMODITIES PRICES

MARKET REPORT

The **PLATINUM** price rose $2.50 yesterday to $360.25 a troy ounce, reaching the highest point for three weeks and widening still further its premium over the **GOLD** price, which was up only 40 cents at $334.45 an ounce. Dealers said platinum had run up on the back of a six-day rally in Japanese stocks, fresh violence in South Africa over the weekend and hopes that recent signs of a US economic upturn would be confirmed by data this week. But it lacked the momentum to break through resistance in the $360/$362 area. Trading on the London Metal Exchange was active with markets ending mixed after retreating from highs. Dealers said profit-taking, hedge selling and technical sales crept in from midday onwards, attracted by the extent and the speed of the recent rally. London **COCOA** futures ended with extended losses, depressed by long liquidation of prompt December contracts before that position became tenderable today. March cocoa ended at £727 a tonne, down £10.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Jan)		+ or -
Dubai	$17.05-7.10w	-.125
Brent Blend (dated)	$19.15-9.20	+0.15
Brent Blend (Jan)	$19.05-9.15	+.125
W.T.I (1 pm est)	$20.25-0.30	
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$206-208	
Gas Oil	$180-182	+2
Heavy Fuel Oil	$86-87	-1
Naphtha	$176-178	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♦	$334.45	+0.40
Silver (per troy oz)♣	375.5c	+1
Platinum (per troy oz)	$360.25	+2.5
Palladium (per troy oz)	$95.15	+1.15
Copper (US Producer)	100.5c	
Lead (US Producer)	35.5c	
Tin (Kuala Lumpur market)	14.05r	-0.15
Tin (New York)	Unq	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	113.02p	+0.04*
Sheep (live weight)†♣	75.63p	+2.06*
Pigs (live weight)†	86.63p	-2.57*
London daily sugar (raw)	$202.0w	+0.8
London daily sugar (white)	$252.5w	-2
Tate and Lyle export price	£255.5	+1
Barley (English feed)	£132.0t	
Maize (US No. 3 yellow)	£153.0	
Wheat (US Dark Northern)	Unq	
Rubber (Jan)♥	63.50p	
Rubber (Feb)♥	63.75p	
Rubber (KL RSS No 1 Dec)	224.0m	+1
Coconut oil (Philippines)§	$490.0y	+5
Palm Oil (Malaysian)§	$407.5t	-2.5
Copra (Philippines)§	$317.5	-2
Soyabeans (US)	£171.1u	-2
Cotton "A" index	53.10c	
Woollops (64s Super)	427p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Dec. y-Jan/Feb. u-Jan. w-Dec/Jan. z-Jan/Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	186.00	186.00	183.00
Mar	188.20	190.20	190.60 188.00
White	**Close**	**Previous**	**High/Low**
Mar	252.50	252.70	252.70 251.80
May	256.10	256.50	256.40 255.50

Turnover: Raw 212 (118) lots of 50 tonnes. White 594 (89) Paris- White (FFr per tonne): Mar 1389.22 May 1421.48

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
Jan	18.96	18.95	19.22 18.96
Feb	18.96	18.91	19.22 18.90
Mar	19.09	18.87	19.15 19.05
Apr	19.00	18.84	19.10 18.95
May	19.02	18.83	19.05 18.97
IPE Index	18.90	19.02	

Turnover 15366 (26377)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low
Dec	177.25	174.50	178.00 176.25
Jan	179.00	176.50	180.00 178.25
Feb	180.00	177.50	180.50 179.00
Mar	178.00	175.75	178.75 177.00
Apr	174.75	172.50	175.50 174.50
May	172.50	169.50	173.00 172.25
Jun	171.25	169.00	172.25 171.25
Jul	172.75		173.25 173.25

Turnover 10795 (10743) lots of 100 tonnes

TEA

The Tea Brokers Association reports an active and dearer market. Landed Assams were well supported and prices continued to advance by up to 10 pence and often more. Bangladesh teas sold readily at firm rates. East Africans met very strong competition with medium descriptions 10 to 15p dearer and brightest liquoring sorts an equally strong feature. Offshore good general demand at about last levels. The highest price realised this week was 212p for a Rwanda pf.1 and pd. Quotations quality 200p, from good medium 170p, medium 155p, low medium 105p.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
Dec	697	710	711 694
Mar	727	737	737 725
May	744	753	752 742
Jul	760	767	767 759
Sep	776	781	782 773
Dec	797	801	803 796
Mar	817	824	824 815

Turnover: 7810 (2247) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 27 - (-) 10 day average for Nov 28 - (755.61)

COFFEE – London FOX ($/tonne)

	Close	Previous	High/Low
Nov	929	926	929 927
Jan	959	955	968 948
Mar	977	976	985 967
May	990	972	995 965
Jul	987	983	985 976
Sep	1013	998	967

Turnover: 2011 (1369) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 27: Comp. daily - (-) 15 day average - (57.46)

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	62.3	60.9	62.0 61.0
May	67.0		67.0 66.5

Turnover 37 (31) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Feb	153.50		153.50
Jun	144.50	144.50	144.50

Turnover 100 (25) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low
Dec	1295	1290	1295
Jan	1285	1280	1285
BFI	1320	1318	1320

Turnover 14 (112)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low
Jan	134.95	137.00	136.00 134.95
Mar	137.00	138.60	138.30 137.00
May	138.50	141.40	140.75 139.50
Jun	141.60		141.60 141.50
Nov	111.75	112.75	111.75
Barley	**Close**	**Previous**	**High/Low**
Jan	133.00	135.50	135.00
Mar	137.00	138.10	137.25 137.00
May	139.00	136.40	139.00
Nov	111.75		111.75

Turnover: Wheat 365 (303), Barley 106 (62). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jan	104.5	105.0	

Turnover: 11 (4) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 46,594 lots
Cash	1200-01	1197-8	1206-05	1205.5-06		
3 months	1221-22	1219-20	1234-18	1226-26.5	1218-19	185,670 lots
Copper, Grade A (£ per tonne)						Total daily turnover 33,320 lots
Cash	1450-51	1450-1	1462.5-62	1461.5-62.5		
3 months	1472-73	1474-4.5	1485-72.5	1483.5-84	1473-74	154,148 lots
Lead (£ per tonne)						Total daily turnover 4,734 lots
Cash	306.5-07.5	308.5-9.5		304.75-07		
3 months	317-18	320-1	323-317	317-17.5	317-18	24,947 lots
Nickel ($ per tonne)						Total daily turnover 12,194 lots
Cash	5820-25	6005-15	5805	5802-05		
3 months	5890-95	6070-80	6070-5810	5875-80	5810-15	40,631 lots
Tin ($ per tonne)						Total daily turnover 1,932 lots
Cash	5680-90	5710-20		5682-85		
3 months	5735-45	5770-5	5750-30	5731-35	5725-30	10,357 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 22,614 lots
Cash	1122-23	1126-7	1128-27	1128.5-27		
3 months	1136-37	1138-9	1150-20	1141.5-42	1121-22	75,304 lots

LME Closing £/$ rate: SPOT: 1.5130 3 months: 1.5007 6 months: 1.4912 9 months: 1.4840

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	334.30-334.60	
Opening	333.60-334.00	
Morning fix	333.70	221.433
Afternoon fix	334.20	221.682
Day's high	335.00-335.50	
Day's low	333.60-333.90	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	1.83	6 months	2.18
2 months	1.84	12 months	2.40
3 months	1.89		

Silver fix	p/troy oz	US cts equiv
Spot	247.90	375.25
3 months	252.45	378.80
6 months	256.60	380.40
12 months	264.10	388.30

GOLD COINS

	$ price	£ equivalent
Krugerrand	333.50-336.50	220-222
Maple leaf	344.25-346.50	-
New Sovereign	78.00-81.00	52.00-54.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
1150	67	86	4	10
1175	47	67	9	16
1200	31	51	18	25
Copper (Grade A)	**Calls**		**Puts**	
2100	115	133	3	11
2150	73	94	10	22
2200	40	63	27	40
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
900	61	95	4	18
950	27	65	20	35
1000	9	39	19	62
Cocoa	**Mar**	**May**	**Mar**	**May**
700	51	73	24	30
725	37	59	35	41
750	26	47	51	54
Brent Crude	**Jan**	**Feb**	**Jan**	**Feb**
1950	15	33	51	72
2000	4	17		
2050	1	7		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low
Dec	334.3	334.0	334.5 333.6
Jan	335.1	335.1	0 0
Feb	335.8	335.5	336.7 334.6
Apr	336.4	336.4	338.5 338.0
Jun	340.2	340.1	340.5 339.7
Aug	342.1	342.0	0 0
Oct	344.0	343.9	344.4 344.0
Dec	346.4	346.2	0 0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low
Jan	363.2	357.3	364.0 358.5
Apr	361.7	355.7	361.5 358.0
Jul	360.7	354.3	360.0 358.0
Oct	362.7	356.3	0 0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low
Dec	373.1	371.5	374.0 371.5
Jan	374.3	372.8	0 0
Feb	375.2	374.7	0 0
Mar	377.2	375.7	378.5 375.5
May	380.1	378.6	381.0 379.0
Jul	382.8	381.3	384.5 383.0
Sep	385.7	384.2	0 0
Dec	390.4	388.9	391.0 389.5
Jan	391.7	390.2	0 0
Mar	395.7	394.2	0 0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low
Dec	97.60	98.20	98.40 97.60
Jan	98.00	98.70	98.60 98.05
Feb	98.60	99.20	0 0
Mar	99.00	99.60	100.25 98.85
Apr	99.40	100.00	0 0
May	99.80	100.45	101.20 100.00
Jun	100.20	100.75	0 0
Jul	100.60	101.10	101.80 101.00
Aug	100.90	101.40	0 0
Sep	101.20	101.70	101.75 101.75
Oct	101.50	102.00	0 0
Dec	101.80	102.30	102.35 102.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low
Jan	20.12	20.27	20.41 20.05
Feb	20.13	20.27	20.41 20.11
Mar	20.15	20.25	20.38 20.15
Apr	20.14	20.22	20.32 20.14
May	20.16	20.19	20.29 20.16
Jun	20.11	20.15	20.25 20.10
Jul	20.15	20.13	20.15 20.13
Aug	20.11	20.11	0 0
Sep	20.04	20.08	20.18 20.04
Oct	20.15	20.07	20.15 20.12

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low
Dec	5650	5714	5760 5650
Jan	5755	5805	5860 5730
Feb	5795	5860	5900 5790
Mar	5725	5782	5810 5725
Apr	5625	5669	5690 5625
May	5500	5537	5535 5500
Jun	5420	5467	5475 5420
Jul	5400	5435	5460 5400
Aug	5415	5455	5460 5415
Sep	5455	5495	5470 5455
Oct	5515	5555	5545 5535
Nov	5595	5635	5650 5625

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low
Dec	973	989	975 948
Mar	1006	1007	1011 994
May	1036	1036	1039 1014
Jul	1058	1056	1055 1036
Sep	1080	1083	1080 1060
Dec	1115	1111	1115 1099
Mar	1150	1146	1143 1125
May	1176	1174	0 0
Jul	1206	1204	0 0
Sep	1239	1232	0 0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low
Dec	71.90	69.00	71.90 68.50
Mar	73.20	70.55	73.50 69.50
May	75.00	72.20	76.00 72.50
Jul	77.45	74.40	77.50 74.40
Sep	79.70	76.90	79.00 77.50
Dec	81.00	78.25	81.00 81.00
Mar	85.35	78.75	0 0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low
Mar	8.41	8.43	8.44 8.37
May	8.52	8.58	8.56 8.50
Jul	8.65	8.65	8.65 8.60
Oct	8.67	8.67	8.71 8.65
Mar	8.73	8.70	8.80 8.73

COTTON 50,000; cents/lbs

	Close	Previous	High/Low
Dec	56.50	57.00	58.50 57.00
Mar	58.12	58.70	59.25 58.50
May	58.95	57.58	60.00 57.75
Jul	59.45	60.27	60.00 59.40
Oct	60.00	60.32	60.35 60.35
Dec	59.70	60.00	59.75 59.40
Mar	60.35	60.62	60.11 59.91
May	60.85	61.10	0 0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low
Jan	102.85	100.65	102.75 100.25
Mar	104.40	102.85	104.75 102.10
May	105.45	102.85	106.00 103.00
Jul	104.60	101.55	105.00 103.50
Sep	104.15	101.90	0 0
Nov	103.85	101.60	0 0
Jan	103.85	101.30	0 0
Mar	103.85	101.30	0 0

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov 30	Nov 27	mnth ago	yr ago
1683.7	1685.5	1686.1	1830.6

DOW JONES (Base: Dec. 31 1974 = 100)

	Nov 27	Nov 26	mnth ago	yr ago
Spot	119.50		113.21	118.81
Futures	119.04		115.40	122.20

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low
Jan	563/6	565/2	567/4 562/4
Mar	569/2	571/2	572/6 568/4
May	574/6	577/2	577/6 574/0
Jul	580/2	583/2	584/0 579/4
Aug	582/0	585/0	585/0 582/0
Sep	581/4	585/4	585/4 581/4
Nov	587/2	589/4	591/0 587/0
Jan	595/0	598/0	0 595/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low
Dec	20.34	20.45	20.50 20.28
Jan	20.51	20.61	20.70 20.42
Mar	20.73	20.87	20.97 20.66
May	20.88	21.04	21.12 20.80
Jul	20.98	21.17	21.22 20.91
Aug	20.99	21.22	21.22 20.98
Sep	21.02	21.24	21.25 21.02
Oct	21.03	21.29	0 0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low
Dec	181.0	181.6	182.0 180.8
Jan	181.3	182.0	182.2 181.1
Mar	181.6	182.4	182.6 181.5
May	182.5	183.1	183.7 182.5
Jul	184.3	185.1	185.6 184.4
Aug	185.2	185.9	186.1 185.2
Sep	186.3	186.6	187.0 186.3
Oct	187.8	188.5	189.0 187.6

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low
Dec	212/4	213/0	213/4 212/2
Mar	221/4	222/0	222/6 221/2
May	229/2	229/4	230/2 229/0
Jul	234/6	235/2	235/4 234/4
Sep	239/0	240/0	240/0 239/0
Dec	244/2	244/6	245/0 244/0
Mar	251/2	251/6	251/4 250/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low
Dec	375/6	376/6	380/6 374/4
Mar	371/0	371/6	373/4 369/4
May	356/2	356/0	358/0 355/2
Jul	331/2	330/6	332/4 330/0
Sep	335/0	335/4	337/4 334/0
Dec	347/6	347/4	349/4 346/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low
Dec	76.775	76.350	76.925 76.600
Feb	74.150	73.850	74.400 73.925
Apr	74.425	74.100	74.675 74.250
Jun	71.075	70.825	71.250 70.850
Aug	69.825	69.800	70.000 69.600
Oct	70.150	69.900	70.250 70.125
Dec	70.800	70.500	70.450 70.250

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low
Dec	44.475	44.925	44.750 44.250
Feb	43.375	43.925	43.850 43.300
Apr	41.225	41.825	41.600 41.100
Jun	45.650	46.025	45.900 45.600
Jul	44.500	44.600	44.700 44.400
Aug	42.700	42.925	42.750 42.600
Oct	41.300	41.350	41.350 41.100
Dec	43.300	43.400	43.400 43.100

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low
Feb	39.225	40.100	39.925 39.100
Mar	39.425	40.400	40.250 39.350
May	40.450	41.450	41.300 40.375
Jul	40.550	41.150	41.300 40.475
Aug	40.700	41.400	41.000 40.100

FINANCIAL TIMES SURVEY

CHICAGO: A CENTRE FOR FINANCE AND INDUSTRY

Tuesday December 1 1992

CHICAGO, big, brash, and very American, has a runner-up complex that compels it always to try harder.

As the third largest US city, it wants to prove that it is as good as New York for business and finance, and as culturally up to the minute, if more high-minded, as Los Angeles. The phrase "second to none" rolls off Chicagoans' lips remarkably often.

Thus the capital of the great Midwestern swathe known as America's heartland is competing increasingly against the two US coasts for international attention.

Over the past decade or so, the international prominence of the city has surpassed the dreams of most Chicagoans. Thanks largely to the remarkable growth of its futures and options markets, Chicago now figures on the maps of every major financial institution in the world.

The Chicago Board of Trade (CBOT) and the Chicago Mercantile Exchange (CME), the world's two largest futures exchanges, and the Chicago Board Options Exchange, the world's largest options exchange, have ridden the crest of a global derivatives trading wave. On many days, more money – measured in the value of derivative products – passes through Chicago's hands than New York's.

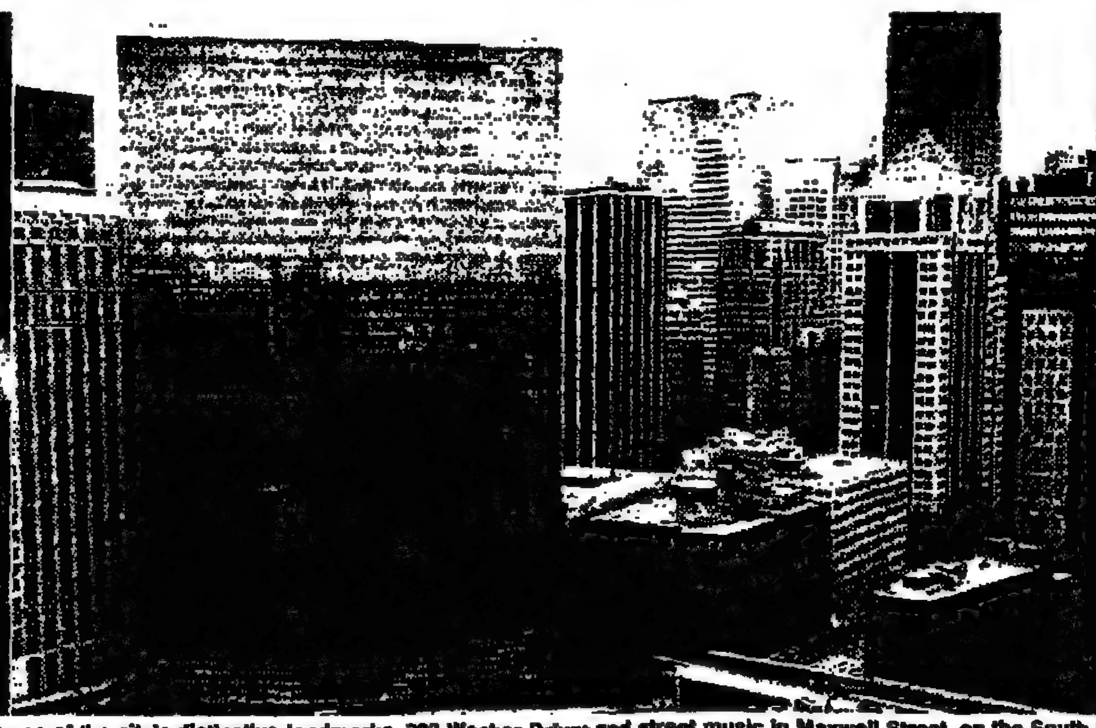
This new world role has allowed Chicago to temper, if not bury, its old gritty image as a steel and meat-packing town – the poet Carl Sandburg's "city of broad shoulders." And the view of Chicago as Al Capone territory has also faded. While organised crime and corruption still exist, they are nowhere near the blown-up dimensions of Hollywood's version of Prohibition-era Chicago.

The city's futures markets have also had to contend with a negative image. The CBOT and the CME have waged a public relations battle against those who view futures trading as just a half step away from gambling. The efforts of the exchanges were, however, set back by the 1989 scandal, in which 47 traders were indicted for fraud following an undercover investigation by the Federal Bureau of Investigation.

Since then, reforms of trading practices have helped to quieten criticism, and the increasing use of electronic trading devices is expected to provide further protection against fraud.

Yet the meteoric rise in the international financial importance of Chicago's futures markets was not lost on other countries. During the past few years, new foreign futures markets, led by the London International Financial Futures Exchange, have been eating away at Chicago's once dominant world market share of futures trading. Together, the CBOT and CME now claim only 40 per cent of the world's trading volume for futures.

The greatest challenge to the CBOT and CME during this decade will be to keep their market share from dropping further. They are fighting back by launching more products with international appeal and with Globex, the round-the-clock electronic trading system.


Centres of enterprise: a trader on the options exchange; one of the city's distinctive landmarks, 333 Wacker Drive; and street music in Maxwell Street, on the South Side. Pictures by Glyn Genin

Exchanges defend their world title

Diversification has helped to insulate the city from the worst of the economic downturn, writes Barbara Harrison, introducing this portrait of the 'no boom, no bust' capital of the US Midwest

On the positive side, the explosion of derivatives trading has brought a tide of financial investors to the city, including many foreign banks and brokerage houses. All of the major Japanese banks and brokerages, for example, have opened Chicago operations. Overall, some 70 foreign banks are present. The markets, with their accompanying investments and jobs, have helped fuel an extensive retooling of the local economy over the past 15 years. In the mid-1970s, Chicago was still heavily reliant on manufacturing. Some 35-36 per cent of its jobs were in manufacturing then, whereas today manufacturing accounts for only 17-18 per cent – similar to the national figure, according to the Federal Reserve Bank of Chicago.

The shift from manufacturing was helped by the collapse of the local steel industry at the start of the 1980s. A general industrial restructuring that came in the wake of the 1982-83 recession pushed it along further. That recession, which hit the Midwest particularly hard, and the painful retrenchment after it kept the region from experiencing the giddy 1980s boom that occurred on both US coasts.

Chicago plodded through the 1980s with slow growth; but it increasingly diversified, creating jobs in financial services, telecommunications, transportation, insurance, real estate, distribution, food and health. The number of service jobs roughly offset the losses in manufacturing, leaving city employment to hover at the 1.2m mark since 1977.

Diversification helped insulate Chicago from the worst effects of the 1990-91 economic downturn. Regional economists are fond of attributing the relative economic health of the city and the Midwest to "no boom, no bust".

Despite many lay-offs by Chicago area companies during the past two years, particularly in banking and real estate, evidence of the local economy's resilience is seen in the fact that unemployment is running at just 6.8 per cent, compared with 7.4 per cent for the nation.

Metropolitan Chicago's economy is helped by the presence of several dozen Fortune 500 companies. Powerful multinational companies such as Sara Lee, Amoco, Sears, McDonald's, United Airlines, Inland Steel, Quaker, Waste Management and Motorola call metropolitan Chicago home. Local boosters like to tout the fact that two thirds of US gross national product is generated within a 500-mile range of Chicago.

Foreign companies have also bolstered the city's fortunes, with jobs and capital expenditures, and raised its international profile. According to a 1992 study, by KPMG Peat Marwick, of inward investment to Illinois, the state is home to 617 US headquarters of foreign-owned companies, most of which are in the Chicago area. For the study, such companies were defined as being at least 50 per cent owned by a foreign entity.

Of 361 companies that responded to the survey, 58 per cent were in the city itself or Cook County, in which Chicago is located. Another 31 per cent were in the metropolitan area, or "collar counties". Notably, 68 per cent were start-ups and 52 per cent of their workforce was in manufacturing.

Democratic Mayor Richard Daley, who was re-elected to a second term last year, is unabashedly pro-business. But he contends that big tax concessions ought not to be made in order to encourage investment.

He is currently trying to win the Illinois legislature's approval for a controversial $2bn casino project. It would receive no tax incentives and be an entirely private investment. But, despite backing for the project from top business associations, Governor Jim Edgar, a Republican, is opposed. No one is willing to predict the outcome of a vote, which is imminent.

Yet, even with Chicago's successful economic diversification, the city faces many challenges.

- Economists predict that it will continue to lose manufacturing jobs.
- Its infrastructure has deteriorated severely, as the disastrous downtown flood showed earlier this year.
- Its substantial airport facilities, which constitute one of the biggest attractions for business, need expansion in order to keep up with demand into the next decade.

While Mayor Daley is attempting to address these issues, the city also faces a host of social problems typical of America's urban landscapes. As the crack and heroin trade has moved more heavily into the city, over the past year or so, violent crime, largely from gangs, has mounted.

Local business leaders are worried, too, about the quality of the local workforce. The Chicago school system ranks as one of the worst in urban America, despite attempts in recent years to reform it. The city's publicly subsidised housing for the poor is also in horrifyingly bad condition and infested with gangs.

In addition, racial tensions have bubbled. Black leaders criticise Mayor Daley for inadequate attention to their community's needs. This complaint could spell a significant political challenge to Mr Daley when he runs for re-election in 1995.

Meanwhile, the mayor hopes that, with president-elect Bill Clinton – a fellow Democrat whom he strongly supported – in the White House, some federal support for the city's problems could be forthcoming. But even with that support, Chicago's political and business leadership will have to draw on its stores of dynamism, inventiveness and vision to find solutions to the city's difficulties – a test that will also be "second to none".

IN THIS 4-PAGE SURVEY

Volumes continue to expand, but the growth of the two huge futures exchanges has been dwarfed by foreign rivals, says **Laurie Morse**

After-hours Globex has yet to live up to its promise

THE WORLD's two largest futures markets, the Chicago Board of Trade (CBOT) and the Chicago Mercantile Exchange (CME), have put the city on the world's financial map.

The two exchanges have experienced over 200 per cent growth during the past decade; and, along with the Chicago Board Options Exchange (CBOE), the world's largest options market, they account for the largest portion anywhere of international trade in exchange-traded derivatives.

In the process, they have attracted financial firms from around the globe, and generated thousands of jobs and millions of dollar in revenue for the city.

While their volumes continue to expand, their growth has been dwarfed by foreign rivals. Global competition and maturing markets are denting the exchanges' margins, and have forced them to initiate new product strategies.

Chicago exchanges still trade commodities, but their bread-and-butter is financial instruments. Their foreign currency, debt, and stock index futures cater for a profession of financial engineers who specialise in risk management. Managed money, in the form of pension funds, mutual funds and investment portfolios, is the lifeblood of the pits. That money follows the best returns at the lowest cost, and is indifferent to geography or whether the trade is made on an exchange or over the counter.

As managed money sloshes around the globe, more and more of its is settling in overseas futures markets modelled on Chicago. While the CME saw 27.8 per cent volume growth in the first half of 1992, and the CBOT 11.1 per cent, the London International Futures Exchange (Liffe) expanded its trading by 83.9 per cent, and the new Deutsche Terminbörse had a 142.8 per cent volume increase.

The size of the futures pie grows with each new exchange that opens, but Chicago's share is dwindling. Five years ago, the two Chicago giants commanded 80 per cent of the world market. In 1992 that share is down to about 40 per cent. Chicago's long-awaited global trading weapon, Globex, opened in June after a five-year incubation. The electronic after-hours system, developed as a partnership between the CME, CBOT, and Reuters Holdings, has yet to live up to its promise. Traders ignored the system during Europe's August currency crisis and hurled their trades into Europe's exchanges, generating record volume at Liffe and not even a blip on Globex. On average, daily volume bumps along below 10,000 contracts. At that rate, it will take years for Reuters to recover the estimated $70m investment it has made in the system.

The size of the futures pie grows with each new exchange that opens, but Chicago's share is dwindling. Five years ago, the city's two giants commanded 80 per cent of the world market. In 1992 that share is down to about 40 per cent

The CBOT has been more direct about answering the foreign incursion. Since 1987, it has run a second shift of bond trading in the evenings, bridging the gap between the regular US and Japanese trading days. Preferring open outcry to screen trading, CBOT executives are negotiating with Liffe for rights to trade UK, German and Italian debt futures in its evening pits.

Chicago's exchanges are also domesticating their new competitors' products, with mixed success. The CME's dollar-denominated version of the Nikkei-225 stock index generates about 14,000 contracts a month, but its new FT-SE 100 product has been slow to catch on. The CBOT's stab at a Japanese yen bond contract failed entirely.

Closer to home, the CME and the CBOE are betting that new index products, aimed at institutional money managers, will generate business. Sector investing is a hot property on Wall Street. The CBOE recently launched options on a small-stock index called the Russell 2000, and plans an entire portfolio of industry sector indices. The first of these, an index of biotechnology stocks, is already being traded.

The CME has created a stable of indexed futures, starting with its S&P 500 futures contract, two foreign stock indices and a new mid-cap index of US stocks. This year it also launched futures on a commodity index compiled by Goldman Sachs and used by some traders to track inflation.

The CBOT is branching out in two new and untried lines of business with its proposals to trade futures on emission control permits to be issued by the US government under new clean-air legislation, and its planned catastrophe insurance futures. The first of the insurance futures contracts will be launched on December 11.

New regulations governing US futures trading, passed last month, are expected to give the Chicago exchanges additional opportunities to expand the types of product they trade, and the way in which they trade them.

In addition to the CBOT, the CME and the CBOE, the city has three other exchange entities that are often overshadowed by their more visible counterparts:

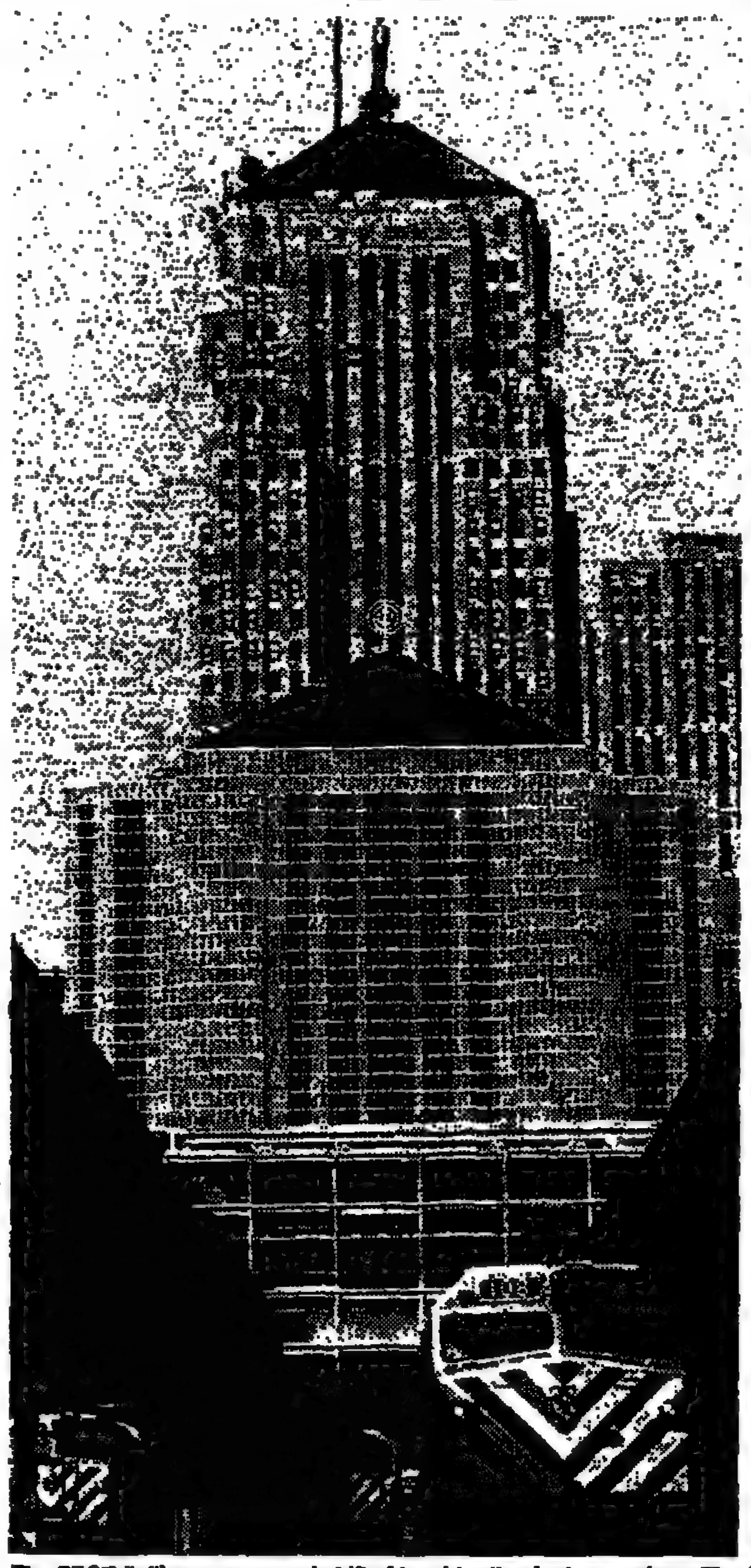
■ The Midwest Stock Exchange, formed in 1882 as the Chicago Stock Exchange, is second only to New York in stock trading volume. An average of 10.5m shares a day pass through the exchange, with about 43 per cent of those block trades of 2,000 shares or more. In addition to stock trading, the MSE has a healthy business clearing trades and providing equity-related trust services. The MSE is also the authorised clearing house for the US mortgage-backed securities industry. Like Chicago's futures exchanges, the MSE sells its trading technology to developing markets overseas.

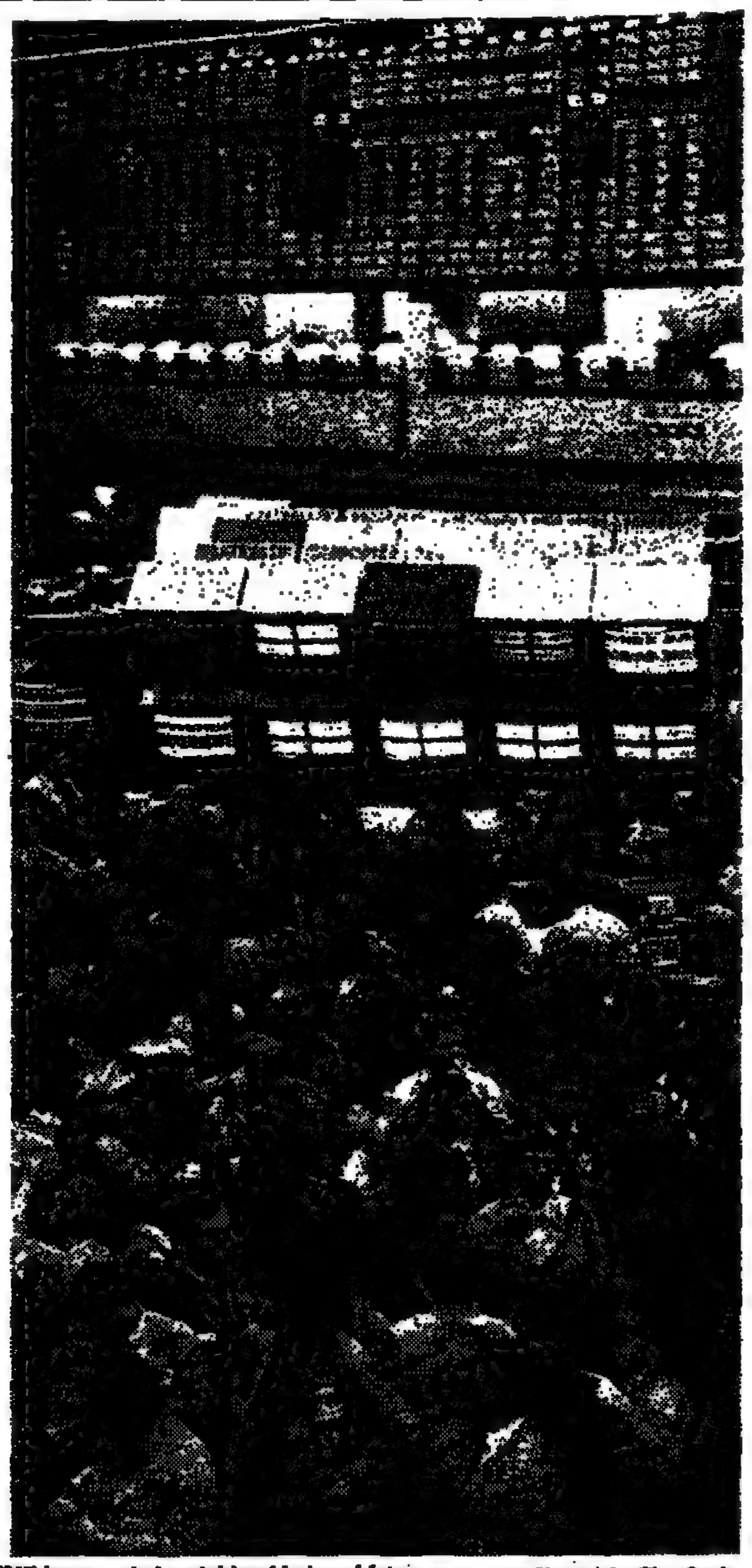
■ The Options Clearing Corporation, first created to process trades for the Chicago Board Options Exchange in 1973, is now the world's largest clearing organisation for derivative instruments. It matches and guarantees stock options trades and provides high-tech communications to its members. It is jointly owned by the CBOE, the American Stock Exchange, the New York Stock Exchange, the National Association of Securities Dealers, the Pacific Stock Exchange, and the Philadelphia Stock Exchange, for whom it provides clearing services.

■ The Chicago Board of Trade Clearing Corporation, owned by, but independent of, the Chicago Board of Trade, provides trade clearing and processing services to the futures exchange.

Derivatives: an FT survey

OVER-THE-COUNTER derivatives have been labelled by some as the 'financial phenomenon of the decade'. But how risky are they? How has the industry responded? Is stricter regulation around the corner? And where does the business go from here? The Financial Times of **Tuesday, December 8** will include a survey on the derivatives market.





The CBOT (left) runs a second shift of bond trading in the evenings. The CME has created a stable of indexed futures — Pictures by Glyn Genin

Banking: the big two are not having it all their own way

Back to profitability but the neighbours are muscling in

CHICAGO IS the banking centre of the Midwest, but its banks, handicapped by archaic state banking laws, have not experienced the healthy growth of some of their regional competitors.

While the city's two biggest banks, First National Bank of Chicago and Continental, are returning to profitability, they are losing out in a battle for regional market share to more muscular bank holding companies in neighbouring states.

Continental Bank, once a flagship of Chicago's investment community, was grounded by energy-related credit problems in 1984. Since then it has reshaped itself as a regional corporate bank, downsized significantly, and last year became a fully public company again, when the government sold the last of its Continental stock holdings, ending a $4.5bn bail-out.

Continental last year had assets of $24bn, about half of its 1981 peak of $47bn. It incurred a $76m loss in 1991, but has had three profitable quarters in 1992.

"Continental is a brand-new bank now, run by new people," says Mr Kenneth Puglisi, a Chicago Corporation bank analyst. "It is really very focused."

Regional giants like Banc One, of Columbus, Ohio, have ample capital to stage Chicago purchases, says **Laurie Morse**

Continental's Thomas Theobald: praised by analysts

Continental has shed its primary dealership in government bonds, divested most of its futures operations (though it still provides financial services to Chicago's many exchanges and brokerage firms), and sold off its retail accounts to its old rival, First Chicago. A lavish remodelling of the lobby of its LaSalle Street building replaced teller windows with upmarket clothing boutiques and coffee shops. Many older Chicagoans are still surprised that they can buy a pizza in the Continental concourse, but they can't open a cheque-book account.

Analysts praise Continental's chairman, Thomas Theobald, for successful pursuit of the corporate banking strategy. While the bank still needs to bolster its credit ratings, the analysts say it has taken the lead in pricing corporate loans, and is using its focus to regain profitability.

A few blocks away, Chicago's other big bank, First Chicago, has taken a different tack. Like other money-centre banks in the 1980s, First Chicago was battered by non-performing loans to developing countries, by the ups and downs of highly leveraged transactions and, most recently, by credit problems in its commercial property portfolio.

In 1991, the bank earned only $116.3m on assets of $47bn, down from $221.1m in 1990. Losing patience with the slow bleeding of profits, and seeing little near-term improvement in the US property market, First Chicago took decisive action this summer.

The bank announced the sale of $3.1bn in foreclosed properties and problem loans, valuing them at about 54 cents to the dollar. The sales and write-down left First Chicago with a $625m charge to earnings, but by taking the hit all at once, the bank is now free to move beyond the problem.

Unlike Continental, First Chicago's strategy for survival in the 1990s is to focus on its retail franchise. The bank recently bought a smaller rival, American National Bank, to strengthen its retail base, and caught the outflow when Continental closed its teller windows. It still provides cash management and other services to corporate accounts, but its profile has become much more of a regional bank than a money-centre presence.

In that role it faces stiff competition. The Chicago banking scene, with its many small but very profitable properties, is an attractive grazing ground for outsiders. Regulatory changes, some as recent as 1991, have opened Illinois to out-of-state banks, and now allow expansion through acquisition.

Until recently, bank holding companies and branch banking were prohibited in Illinois. That regulatory twist spawned more than 12,000 independent banks in the state. Now, with profitability boosted by a year and a half of low interest rates and a generally resilient Midwest economy, the myriad small banks are the focus of aggressive regional consolidation.

"Illinois is now wide open to multi-bank holding companies," said Mr Michael Sammon, senior vice-president for banking at Chicago-based Howe and Barnes Investments. "However, since the state was so late in making changes, Illinois banks were not in the capital position to take advantage of them."

Regional giants like Columbus, Ohio-based Banc One have been massing bank holdings in their home states, and have ample capital to stage Chicago acquisitions. Banc One has bought a series of Chicago-area banks this year and NBD, a Detroit bank holding company, has been equally aggressive in Chicago's suburbs. Tending their own wounds, First Chicago and Continental have barely participated in the buying spree.

Mr Sammon predicts that the consolidations and holding company purchases will continue through the next five years, although plenty of small independent banks will remain.

Foreign banks are also on the prowl for acquisitions, and prefer to serve the international financing needs of the futures-exchange-dominated loop community. ABN Three years ago, ABN (now part of ABN Amro, the biggest bank in the Netherlands) bought Chicago's fifth-largest bank, LaSalle National. This year ABN Amro used LaSalle as the base to purchase Tallman Home Federal, a troubled but profitable savings and loan. The combined assets of Tallman and LaSalle top $12bn and have leap-frogged ABN Amro into third place in Chicago's bank ranking.

Harris, now Chicago's fourth-largest bank, was purchased by The Bank of Montreal in 1984. The Canadian bank takes a very low-key role in the city, and has not had ABN Amro's bent for expansion.

Not to be overlooked in Chicago's banking community is the stolid, and solidly independent Northern Trust. Led by conservative management, Northern avoided most of the credit pitfalls of its LaSalle Street neighbours and maintains a successful niche administering trusts, particularly corporate pension funds, and providing banking services to high net worth individuals. A perennial pick of bank analysts, Northern has assests of $14.3bn and last year earned a record $127.4m or a $3.41 per share, a 10 per cent gain over 1990.

While its bottom line makes Chicago's fifth-largest bank a sweet acquisition target, Northern Trust, the management says, is not for sale.

SURVEYS INFORMATION

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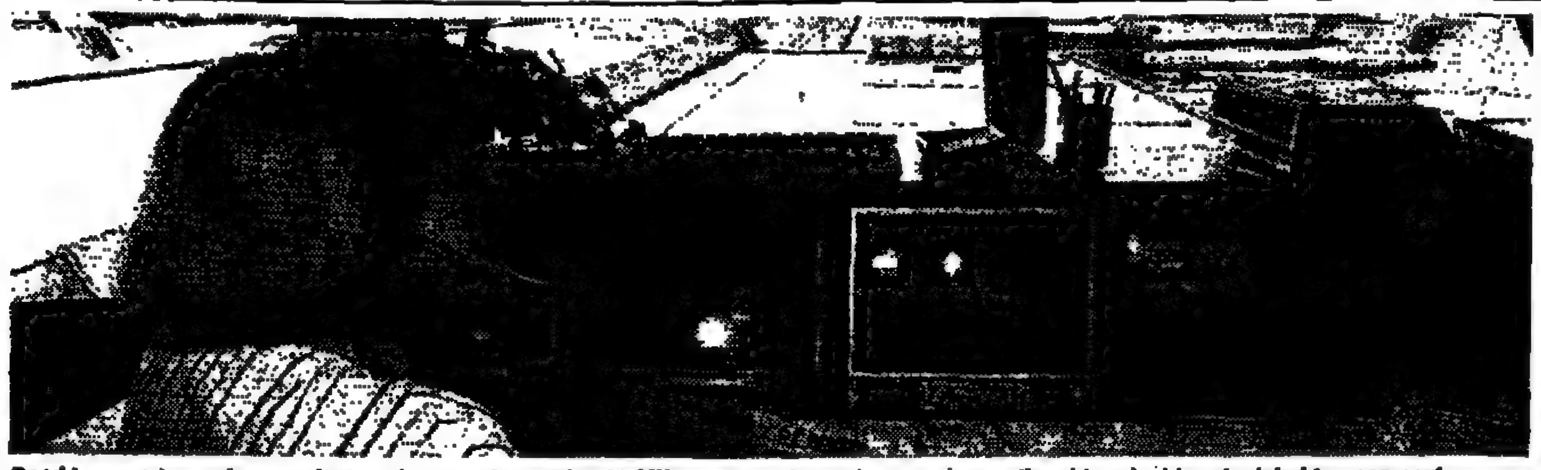


Good transport remains a mainstay of corporate activity. At O'Hare airport (above), a new international terminal is scheduled to open next summer. Below: commuters take a morning train from Naperville, 30 miles west of Chicago

Pictures by Glyn Genin

Investment: diversity provided stability during the volatile 1980s

Brawn underpins services

CHICAGO WAS founded on the brawn of meatpackers and steelmakers at the conjunction of the nation's biggest rail and water corridors. The meatpackers have gone and the steel mills are struggling, but good transport and proximity to the raw materials of agriculture and basic industry remain the mainstay of corporate activity.

The commodity and stock exchanges, early outgrowths of midwest agriculture, have made Chicago the financial centre of the region, and given it an unique international flavour. Deals linking trade with London, Sydney and Tokyo are frequent front-page news.

Economists say the diversity of the city's economy is what saved it from the dramatic ups and downs seen elsewhere during the boom and bust of the 1980s. Despite its heavy industry, the area avoided rustbelt rot. That's not to say there hasn't been a slowdown. Many leading company's have seen their growth stalled, and others, already lean, are downscaling further.

Values in Chicago's residential real estate market dipped only slightly in the past two years, in part because they never really experienced a speculative buying frenzy. As with the rest of the US, Chicago's commercial real estate market is overbuilt, and financing for some of the city's downtown showplaces is now quietly under renegotiation.

Chicago was one of the last cities in the US to stop building skyscrapers, and so, analysts say, will be among the last to digest the excess.

The city's agriculture and heavy industry base saw a regional recession very early in the 1980s, suffering from international competition and a strong dollar. The experience forced serious cost restructuring, and the companies that survived, according to Mr Robert Dederick, chief economist at Northern Trust, are competitively positioned for the expected global economic recovery.

These companies include the state's metal-benders like its biggest exporter Caterpillar, Navistar (formerly International Harvester), Deere (which makes agricultural machinery), and an array of small businesses that process steel and manufacture parts for the auto and trucking industries. Stock gurus think the companies read like a shopping list for president-elect Bill Clinton, who has promised to revive the flagging economy by rebuilding the country's infrastructure.

At the south end of the city, a small revival is occuring as companies employ the cheap property and skilled labour left by the cutbacks in manufacturing there. Australian-owned Welded Tube Company of America is undergoing a $40m expansion in the Lake Calumet area, and other companies are also retooling. However, the area's recovery was dealt a blow when a plan to site Chicago's third airport near Lake Calumet failed this summer.

Favourable exchange rates supported exports and revived moribund companies like Caterpillar, the heavy equipment maker and the area's largest exporter.

Illinois, including the Chicago area, had $16.5bn in exports in 1991, the bulk of it heavy equipment, chemicals, and agricultural goods. Had they been included in the export accountings, Chicago would have ranked near the top of the country in the export of financial services and trading technology. Canada, Japan and Mexico are the state's biggest trading partners. Goods shipped to Mexico jumped 23 per cent in 1991, reaching $1bn, and offsetting small export declines to the UK and Japan.

While Illinois exports hundreds of thousands of tonnes of crops annually, the city gains most of its agricultural profits from processing. Downstate giant Archer Daniels Midland and its competitors have plants in the Chicago area that produce high-fructose corn syrup, ethanol, starches, animal feed and vegetable oils. The processed materials supply Chicago's big food companies like Quaker Oats, Sara Lee and United Biscuits' subsidiary Keebler. ADM alone exports about $3bn in farm products annually.

Foreign direct investment in Chicago and its surrounding counties levelled off in 1992, after growing dramatically in the previous decade. KPMG Peat Marwick's 1992 survey of inbound investment in Illinois counts 617 foreign-owned companies headquartered in the state, up from 173 a decade ago. Most are located in the Chicago area. Of the 312 companies that responded to the survey, 132 were Japanese, followed by Britain with 47, and Germany with 41. They represent combined employment of 30,417, and capital investment of $1.9bn. Fourth-five per cent of those surveyed said they planned to expand.

Brawny industry is just the underpinning to a strong service-based economy. The city boasts the greatest number of Fortune 500 corporate headquarters outside New York. Drug and high-technology companies dot Chicago's suburbs. Multinational giants like McDonald's, Waste Management, United Airlines and Motorola are based there, though their operations and workforces are scattered around the globe.

Although the November issue of Fortune magazine named Chicago as one of the nation's top 10 cities for business, not all of the city's corporate citizens would agree.

Chicago's bad public school system and the pull of a better-prepared suburban workforce has begun to drain corporate interest from the downtown area. Sears, the financial and merchandising giant, is relocating its 36,000-plus Chicago workforce from its trophy midtown office tower to a new campus in suburban Hoffman Estates. The decision was made in advance of this summer's news that Sears plans to break up and spin off many of its operations in order to concentrate on its retailing core.

High taxes, heavily organised labour, and limited availability of suitable land parcels for expansion are forcing some companies out of the area entirely. Spiegel, the retail and catalogue giant, will pull its 127-year-old operation out of Chicago in early 1994, and relocate the 2,200 jobs to Columbus, Ohio. It already has a non-unionised facility there, where there is an adequate site for expansion.

In an effort to stem the outflow, the city last summer floated a $160m bond issue to finance infrastructure improvements. One of the first projects to benefit will be a planned relocation of the city's vital South Water Street produce market to a 62-acre facility on the west side. City planners say the site offers more viable truck routes as well as modern facilities.

Improvements are also under way at O'Hare, which is in a tough battle with Houston to keep its place as the country's premier airport. A plush new international terminal is scheduled to open next summer. The new construction, first priced at $470m, has experienced cost overruns, and may leave the city holding a bill for $600m. Air France recently opened an $18m cargo-handling facility at O'Hare, a nod to the fastest growing segment of the airport's business.

Laurie Morse

Employment by sector: May 1991

Sector	Employees	%
Services	905,300	28.2
Retail/wholesale trade	762,000	23.7
Manufacturing	555,100	17.3
Government	382,200	11.9
Finance/insurance/real estate	266,700	8.3
Transporation/public utilities	208,900	6.5
Construction	128,700	4.0
Mining	2,100	0.1

Source: Employment & Earnings, Bureau of Labor Statistics (*America's Top Rated Cities, a statistical handbook: Universal Reference Publications*)

Politics: **Barbara Harrison** on the force of the Daley mantle

The pro-business mayor 'could be there for life'

MAYOR Richard M. Daley sits in his shirtsleeves, chomping on a fat cigar. But the cigar is unlit, in what seems to be one of many concessions to new social views and values by a man who was raised in the old school of big-city politics.

Mayor Daley is the son of the legendary Mayor Richard J. Daley, who ruled rather than governed the city for two decades. Mayor Daley the elder, who died in 1976, was the last boss of a big city Democratic party political machine.

Although the party remains dominant in Chicago politics, "Richie", as the current mayor is widely known, now governs with the help of only a shadow of that powerful machine. But the inheritance of the weighty Daley mantle gives him unusual force.

He was re-elected last year with a solid majority, lending credence to the notion, voiced when he was first elected to office, that, if he wanted to, he could be mayor for life.

"The feeling is that he's going to be here for a while," said Mr Ed Noha, chairman of the big Chicago-based CNA Insurance Companies and also recently named chairman of the Chicago Economic Development Commission, a mixed public and private group to promote the city's economy.

"Businessmen trust the mayor," added Mr Noha.

Mr Daley, like his father, holds a pro-business, big-project vision of the city. The elder Daley was responsible for building O'Hare airport, one of the world's busiest, and a web of crucial highways.

Today, the mayor is overseeing a near-$1bn expansion of McCormick Place, already the largest permanent exhibition space in the country, to attract greater convention and trade show business. He will also inaugurate a new international terminal at O'Hare next summer. And, having failed to win the Illinois legislature's approval for a third $10bn international airport in the city, he is undertaking improvements at O'Hare and Midway, the city's other major airport.

Although he is also working on a fistful of other projects, his most controversial proposal is for a privately financed $2bn casino complex which also requires legislative approval (*see page 4 of this survey*). To win that approval, Mr Daley is throwing all his political weight into the battle. The project promises some $500m a year in tax revenues and 35,000 jobs.

While all his big-ticket projects promise to leave a legacy at least as large as his father's, Mr Daley cannot count on the same kind of federal and state largess. Such assistance has shrunk markedly in recent years. Yet he hopes that the Clinton administration will follow through on campaign promises to help rebuild and improve America's infrastructure.

However, all federal monies go to the states first, and the states then distribute them to cities and towns. This leaves Mr Daley to wrangle for the city's share with the state, whose governor, Mr Jim Edgar, is a Republican.

While it seemed that Mr Daley and Mr Edgar were heading earlier this year for a political partnership of sorts, that broke down with the defeat of the mayor's third-airport proposal at the hands of Illinois Senate Republicans. Mr Edgar had favoured the site chosen by the mayor, but he could not, or would not, control his Senate co-partisans.

New tension in the Daley-Edgar relationship has arisen over the casino project, which the governor opposes. Mr Daley is pressing hard for the investment to be approved in the current special session of the legislature. If he loses, he is likely to shelve it, as he did with the third-airport proposal.

Although the mayor could look terribly empty handed, having lost the political battles for two of his most important public projects, he is expected to denounce the Illinois Republicans for wrecking the possibilities for tens of thousands of new jobs.

Some believe that Mr Daley is, in fact, paving his way for a governorship bid in 1994, though he denies it. "I was in Springfield eight years [as a state senator]," he said. "No, I have no interest."

If that is true, the Daley dynasty may be set to last until Richie tires of it. "You can continue to be mayor if you really want it in your heart and mind," he said. And, though his public approval dipped after several infrastructural disasters during the past year (like the downtown flood in ageing freight tunnels), it seems he retains enough popularity to keep his spirits up.

But he will not go unchallenged. Mr Daley represents the old white, Irish-American leadership of South Chicago and, unlike in his father's day, the city is now nearly 60 per cent black and Hispanic.

The last mayor elected before him was Mr Harold Washington, a charismatic black politician who died suddenly during his second term. Had Mr Washington lived, he would probably still be mayor.

The black political analyst, Mr Grayson Mitchell, who was an aide to Mr Washington, says Mr Daley "walks on eggshells" to avoid doing anything that will ignite black political anger. Indeed, Mr Daley is careful, tipping his hat to minorities with blanket statements, such as: "You have to break down racial, religious and ethnic barriers."

But according to Mr Mitchell, who also leads a successful marketing firm, minority feelings are seething under the surface, because "we've gone back to the social apartheid system of before".

Curiously, it may not take a black or minority candidate to unseat Mr Daley, according Mr Bruce DuMont, a nationally syndicated political commentator. If he sets the black community against him, its votes could easily go to, say, Mr Jack O'Malley, the Cook County prosecutor and a Republican who has established a reputation for competence and honesty. Mr O'Malley was re-elected earlier this month to a second term with a significant portion of black votes.

Chicago has always been a heavily segregated city, and even though the edges have softened on that segregation today, it is still starkly apparent. Thus, Mr Daley, even if he continues to want the mayority in his heart and mind, faces a battle with demography and, some would say, history.

Mayor Richard Daley: working on a fistful of projects

CHICAGO 4

Chicago already has much to offer the leisure visitor. . . . Above: Maxwell Street, a black inner-city district on the South Side, is the site of the city's famous Sunday Market. Right: the atrium of the Chicago Holiday Inn. Below: a reflective moment at the Art Institute. Pictures by Glyn Genin

The city recognises tourism's economic power

Beyond conventions

CHICAGO'S muscular beauty has the power to stagger the first-time visitor. Instead of the dull, industrial city with little eye-appeal that many fear, it surprises with unexpected physical charm and lots of cultural sophistication.

The city makes the most of its location on Lake Michigan, with a series of clean lakefront parks and beaches, and its modern architecture – including the world's tallest building – is impressive. The development that has lately come along the Chicago River, which cuts through the city, has also won urban planners' applause.

The city can claim a world-famous symphony orchestra, a highly acclaimed opera, a first-rate art museum, a vast array of excellent and ethnic restaurants, America's best blues clubs and richest theatre life outside New York.

It is odd, then, that it has promoted itself little as a tourist destination. But that is changing.

Until now, given its central location in the US, it has built its travel fame on conventions, trade shows and business meetings. These brought over 3.35m visitors and $2.5bn in spending to the city last year. Although the number of visitors is expected to fall marginally this year, expenditure is projected to reach $2.7bn.

Chicago hopes to expand this business further with a $987m expansion of McCormick Place, its premier convention and trade show location: 1.2m square feet of exhibition and conference space will be added to the current facility. The expansion, to be completed by 1997, is slated to bring in an additional $1.6bn annually in revenues to the state of Illinois.

Chicago hoteliers can hardly wait. Occupancy rates have dropped to a painfully low 60-65 per cent, after the addition of eight large, new hotels since 1990. The construction spree began in the late 1980s after a period of relative shortage of hotel space.

Since 1988, 5,551 rooms have been added in downtown Chicago. Of these, 2,086 have been added during the past year alone by Stouffer, Sheraton and Marriott. Nearly 25,000 rooms are available in the city itself, and there are 64,000 within the metropolitan area.

But the additional rooms came on line just as the American economy slowed and the convention business began to shrink. Although the attendance at trade shows in Chicago has increased slightly over the past five years, convention attendance is down from a high of 538,000 in 1988 to 333,000 last year. But projections are up for 1992, and the hope is that 1993 will bring an economic upturn.

Yet while the city continues to focus on the lucrative convention and trade-show business, it has begun to see the economic power of tourism. It has lost thousands of manufacturing jobs in the past 20 years, and has little hope of attracting major industrial projects to restore them. Chicago thus finds itself pinning its economic hopes increasingly on the travel and tourism industry.

> While it already receives nearly 12m visitors a year, Chicago wants to increase that number, particularly with international tourists, who numbered roughly 1.5m last year

The most striking example of this shift is Mayor Richard Daley's fight for a controversial $2bn casino complex (*described on this page*).

Further evidence of Chicago's attention to tourism is its expenditure of $150m to renovate Navy Pier, a 1916 naval installation that juts directly from the city centre into Lake Michigan.

It has been used for many purposes over the years, including trade shows and art exhibits. But the renovation, to be completed by 1994, will be directed primarily at tourism. It will include a children's museum, a botanical garden, a pavilion for performing arts, retail shops, a multi-purpose 170,000sq ft exposition space, and a destination restaurant overlooking the lake.

While it already receives nearly 12m visitors a year, Chicago wants to increase that number. It would particularly like to draw more international tourists, who numbered roughly 1.5m last year, according to statistics for the state of Illinois. It is due to complete the construction next summer of a new international terminal at O'Hare airport, one of the world's busiest civil aviation hubs.

This will especially help to handle traffic when Chicago hosts the opening of the soccer World Cup in 1994.

A $10bn third international airport proposal was shelved earlier this year, after Mayor Daley had failed to win approval for the project from the Illinois legislature. Many speculate, however, that the proposal has simply gone on the back burner until the mayor finds a propitious moment to revive it.

With the rising importance of the travel, tourism and the hospitality industry, the Chicago of the 1990s little resembles the gritty steel and meat-packing town that gained fame in the early part of this century as Carl Sandburg's "city of broad shoulders". But with era of heavy lifting gone from America, it cannot be faulted for failing to try to change with the times.

Barbara Harrison

A casino? The stakes are high, the decision is near

Gambling for jobs

Governor Jim Edgar is the plan's most important opponent

IT IS a sign of the times and of Chicago's fiscal fortunes. The city, whose job base has dramatically shifted away from manufacturing to services, is backing a controversial proposal for a $2bn casino complex as its next best hope for economic development.

The plan, if approved, would mark the first time that a massive gambling operation has been established in a major metropolitan US city.

The project was proposed earlier this year by three of the gaming industry's biggest players, Circus Circus, Caesars World and Hilton Hotels, all publicly traded companies. But in order for the project to go ahead, it must win approval in the Illinois legislature. The vote, in a special session, is due in the coming week and is expected to be close.

The project's promises are sweeping. It would theoretically create over 35,000 permanent jobs, provide annual tax revenues of $500m for the state and the city, and increase tourist spending by over $5bn.

These estimates are enough to seduce many a city, and Mayor Richard Daley knows that if Chicago does not win approval for the project, another will gladly accept the investment. No tax incentives are involved.

Gambling is being used increasingly in the US to raise tax revenues. According to Mr Owen Youngman, assistant managing editor for financial news at the Chicago Tribune: "It is foolish to pretend that it won't come to major cities."

Moreover, if the spread of gambling cannot be contained, analysts say there is value, with tourism in mind, in being the first large city to have a casino complex.

But the project has provoked spirited opposition. Its most important opponent, however, is Illinois governor Jim Edgar, a Republican. Mr Edgar, no fan of gambling, says there is enough of it in the state already, what with horse racing, river-boat casinos and a lottery. These gambling interests are against the casino as unwanted competition.

Among the arguments of other opponents is that gambling tax is a regressive taxation, preying on those with the least to lose. Some also feel that the casino business is alloyed with organised crime and its unsavory trades like prostitution.

Chicago, once a mob mecca, has spent years living down that reputation, and many Chicagoans do not want it revived.

Yet the state's largest business organisation, the Illinois Chamber of Commerce, has backed the casino plan, as has one of Chicago's most prestigious clubs of chief executives, the civic committee of the Commercial Club of Chicago.

Mr Daley has helped win Chicago business support with a pledge to phase out its onerous head tax of $5 a month on every employee. He also attempted to sweeten the deal for state legislators with the suggestion of a $1bn bond offer to improve state schools.

> Barbara Harrison discusses a plan that would bring a massive gambling operation to a large metropolitan US city for the first time.

While these ploys may win some supporters, a single fact has convinced many others: such large-scale private investments in older cities are scarce. Mr Daley said he tells casino opponents: "If you have an alternative, I'll listen." But he adds: "No one has walked through my door."

If Mr Daley loses in the legislature, no other large project that would create as many permanent jobs seems to be waiting in the wings. Last summer, he lost a bid for legislative approval of the other major project for the city, a $10bn third international airport. It is conceivable that this could be revived at a future date, though the mayor is giving no hints.

Job-creating investments, particularly larger-scale manufacturing, are not easily attracted to the city. They are discouraged by a 7.3 per cent corporate income tax, the city's heavy union presence and the scarcity of large land parcels. Most sites are on the small side, and many have daunting environmental liabilities.

Chicago, with a population close to 3m, has been haemorrhaging manufacturing jobs for two decades. Between 1970 and 1990, the city itself lost half of its manufacturing jobs, some 219,000. The loss was nearly double that in the metropolitan area, which includes the surrounding counties and the city with a total population 6m.

Moreover, the Federal Reserve Bank of Chicago predicts that, between 1990 and 2000, metropolitan Chicago will have suffered an additional loss of 12,000 to 15,000 manufacturing jobs, with makers of electrical machinery especially hard hit.

But in economic terms, there is little reason for gloom. While manufacturing jobs have evaporated, productivity gains have kept the gross product rising; and that trend, too, is expected to continue through 2012. Moreover, the decline in manufacturing jobs has been largely offset so far by increases in service jobs, and, during this decade, the Fed predicts a further substantial increase in service employment.

Diane Swonk, regional economist for the First National Bank of Chicago, warns, however, that the new service jobs that are being created are not for the low-skilled. "That's the biggest challenge for Chicago, the mismatch in jobs and skill levels," she said.

Mr Daley believes the casino project would help the city to ease unemployment among the lower skilled. He may be right, but many hope, nonetheless, that the casino is not symbolic of where the city is heading.

Laurie Morse describes the other side of the US's most racially segregated city

First-world economy, third-world slums

A SINGLE sniper-shot in October accomplished what decades of social benefaction could not. It galvanised the public against the crime and neglect that plagues the city's poor.

The shot killed Dantrell Davis, a seven-year old boy, as he crossed, with his mother, the few yards between his public housing apartment and his ghetto school.

The violence has forced the city to acknowledge the failure of its public housing system, and to address, however briefly, the evils bred by a system that for decades has dealt with its poor by warehousing them in dilapidated high-rise blocks and isolating them from the rest of the community.

Chicago, like large cities around the globe, has its share of poverty and its attendant crime, homelessness and hopelessness. However, the magnificent wealth of the urban area, its natural resources, and its progressive business community form a foil to the city's grit; and the contrast, deepest at the city's core, strikes even a casual visitor.

The starkest contrast is the geographic and economic separation between black and white citizens. Sociologists have measured the division, and report that Chicago is the most racially segregated city in the US. In his book *American Apartheid*, Doug Massey, professor of sociology at the University of Chicago, makes a compelling argument that segregation is the cause of urban poverty.

The city is one of minorities. The 1990 census counted 2.7m city residents. Of these, 1.3m were white, 1.1m black, and slightly more than half a million of Hispanic origin.

Despite growing political activism by black and Hispanic voters, Chicago's deeply ingrained separatism has been slow to change. Friction between these two minorities impedes progress, and the city's history of political patronage often short-circuits reform efforts.

Population

Area	1980	1990	Change %
City of Chicago	3,005,072	2,783,726	-7.4
Metro area (*MSA)	6,060,401	6,024,581	-0.6
ETHNICITY: CHICAGO			
	1990	%	
White	1,263,524	45.4	
Black	1,087,711	39.1	
American Indian/ Eskimo/Aleut	7,064	0.3	
Asia/Pacific Islander	104,118	3.74	
Other	321,309	11.5	
Hispanic origin†	545,852	19.6	

Source: 1990 Census – Housing and Population (America's Top Rated Cities, a statistical handbook: Universal Reference Publications).
Notes: *MSA (Metropolitan Statistical Area) covers Cook, DuPage and McHenry counties. †People of Hispanic origin can be of any race.

The two worlds that make Chicago – its first-world economy and its third-world slums – co-exist in extremes. Two of the worlds' most highly regarded private universities – Chicago and Northwestern – abut what is by a variety of measures the nation's worst public elementary and secondary education system. World-renowned private libraries and museums serve the city's élite, while the new central public library, a $144m pile of brick and mortar named after Chicago's first black mayor, Harold Washington, is starved of books and operates on a reduced schedule.

From the windows of amenity-stuffed lakeshore condominiums, one can glimpse the high-rise blocks where Chicago's desperate poor are stacked in a decades-old public housing nightmare. And on the streets are an estimated 49,000 people who have no housing at all.

Repeatedly, in conversations with the city's corporate and civic leaders, the costs of racial and economic divisions are counted in terms of lost human capital, poorly prepared workers, and quality-of-life issues like crime, drugs, and homelessness.

A recent study by the SRI Center for Economic Competitiveness, of Menlo Park, California, and Data Resources, the economic forecasting firm, cites declining workforce quality as one factor eroding Illinois' global competitiveness. It said vital co-operation between industry, government and education, needed to tackle the problem, was lacking.

Chicago's public school system is an example. Forty-six per cent of children entering its public high schools in 1986 failed to graduate with their class in 1990. The drop-out rate for boys topped 50 per cent, and for some minorities, particularly young Hispanic men, it approached 70 per cent. Achievement levels for children who stay in school are well below national averages. Only a quarter of the city's elementary students can read at their grade levels, and the statistics are equally dismal for mathematics preparation.

This wasteland has not been ignored by the corporate community. Industry pours hundreds of thousands of dollars into school improvement programmes annually, and landmark school reform legislation, crafted by an unusual partnership of politicians and corporate leaders, was enacted in 1988. The reform was aimed at dismantling the school system's politically-charged central bureaucracy and putting control of the city's 560 schools in the hands of parents and local communities.

Three years later, the experiment is foundering. Special interests divide the effort; the $2.5bn school budget continues to face annual crises; and the massive school bureaucracy has clung to power, frustrating local school councils. The latest casualty of the struggle is the city schools superintendent, Mr Ted Kimbrough, who was hired to implement the school reform plan.

In announcing that he will not renew his contract, Mr Kimbrough told the Chicago Tribune that he was defeated by politics. A veteran of political school wars in his previous post in California, he said: "The difference in Chicago is the intensity of the politics. The magnitude of it, how it is part of the culture... It cripples everything."

Meanwhile, the city's corporate leaders, political élite, even its public school teachers, attend to a separate system, and send their children to private or suburban schools.

Housing activist Mr Alexander Polikoff says the failure of Chicago's leadership successfully to address racial and economic divisions is not unique. In fact, he says, the city's wealth has enabled it to avoid crises like those seen in St Louis and Los Angeles.

A private consortium of corporate trusts provided $2.5m to community groups this summer for a jobs programme, aimed at heading off tensions that followed the Los Angeles riots. Longer-range jobs programmes are under consideration in the private sector, and small but promising efforts to move poor families out of public housing are gaining praise.

Since the shooting, Chicago's housing deputy, Mr Vincent Lane, has renewed his effort to use federal housing dollars earmarked for building renovation for construction of new, low-density housing outside the ghettos' borders.

Even the violent street gangs that control the Cabrini-Green project where Dantrell Davis was killed have been jarred into calling a truce. However, their pact offers a challenge to Chicago's mayor. The peace, gang leaders say, will last only if jobs are provided, and robbing and drug-dealing become less essential for survival.

LONDON STOCK EXCHANGE

New advance led by the dollar stocks

By Terry Byland,
UK Stock Market Editor

CONFIDENCE in prospects for economic recovery remained high in the London stock market yesterday, and the FT-SE Index closed at new trading and closing highs in spite of a slow opening to the first effective session on Wall Street since the Thanksgiving holiday weekend.

The first day of the new two-week equity trading account saw the UK market rise by 24 points in early trading to touch a new trading peak of 2,784.1, as investors bought dollar stocks. When New York opened with a gain of only 3.76 Dow points in UK hours, London stocks eased back from the day's highest levels. The final reading of 2,778.8 showed a gain of 18.7 on the FT-SE Index.

Domestic news played a minor role yesterday. Suspension of Rosehaugh, a leading property development group, as official receivers were called in, restrained some other property stocks as well as those UK banks known to be exposed in the property sector. Fears that the economic recession could still deliver severe shocks to confidence continue to restrain investment confidence, according to strategists at several leading securities firms.

However, there was a firm response to the statistics on November UK money supply showing a provisional gain of 0.6 per cent. Inflationary worries have been put aside, at least for the time being.

From the opening, attention focused on the prospects for a further rise on Wall Street as it made a fuller response to last week's favourable data on gross domestic product and durable goods order trends.

Once again, a strong performance from the December future contract on the Footsie, which moved briefly above 2,800 yesterday, provided the lead for the equity market. Futures buying is often an indication that institutions are preparing to move into equities.

Share buyers remained selective, buying Wellcome but not Glaxo and RTZ but not Smith-Kline Beecham. Second line issues were very active, the total shares traded in non-Footsie listed stocks exceeding those of the Footsie giants.

The day's Seaq volume total of 635m shares compared with 665.9m on Friday, when retail business of £1.19bn maintained the record of significantly improved business levels since the mid-September.

The London market is now waiting to see the list of important economic data on the US economy which is due today; the leading economic indicators, National Association of Purchasing Managers survey, and construction spending statistics will all be scanned eagerly for further signs of an upturn in the US economy.

Tomorrow's auction of British government bonds was also believed to be a restraining factor on institutional activity in the equity market yesterday.

Among the domestically-orientated sectors, breweries attracted buyers ahead of a week which will bring trading reports from a number of the industry leaders. Store and retail issues, hoping now that the all-important Christmas selling season, which provides a substantial portion of profits for the leading store groups, will disclose some recovery in retail activity, found buyers.

Firmness in sterling, regarded as a necessary prop for the further reduction of one point in UK base rates expected before the end of January, also helped sentiment.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
United Biscuits	1,400	347	+11
Utd. Newspapers	118	483	+2
Vodafone	2,500	403	+4
Warburg (SG)	169	473	+1
Wellcome	1,600	1063	+28
Welsh Water	332	510	-2
Wessex Water	145	562	-2
Whitbread 'A'	379	465	+2
Williams Hldgs.	1,200	318	-7
Willis Corroon	1,400	180	+5½
Wimpey	33	105	+1
Wolseley	3,200	505	+3
Yorkshire Elect.	238	471	-6
Yorkshire Water	325	514	-2

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:	Nov 16	Nov 30	Dec 14
Option Declarations:	Nov 26	Dec 10	Dec 30
Last Dealings:	Nov 27	Dec 11	Dec 31
Account Day:	Dec 7	Dec 21	Jan 11

*New time dealings may take place from 8.30am two business days earlier.

Challenge to Asda rally

RECOVERY hopes at Asda continued to draw support yesterday as the shares again edged forward in huge turnover of 85m, by far the heaviest traded stock in the market. However, there were indications last night that Asda's good run may have peaked, with a number of brokers preparing to issue sell notes in time for the start of trading today. The shares, which stood at 23p on August 10, gained 2½ to 58p yesterday.

Mr Nick Bubb at Morgan Stanley, a draw of the stock since its summer depths, said: "The recovery in Asda was supposed to take three years not three months. We forecast a top price of 55-60p which has now been reached. Asda is an interesting recovery story, but until we see some new figures, we have turned seller." Asda's results are due on December 18.

Other traders noted that yesterday's heavy trading included some of the UK's leading institutions as sellers, although this was more than countered by heavy US buying and smaller UK funds. One analyst also said that the Asda management had expressed unease about the one-way march in the shares, which have outperformed the market by around 90 per cent in the last three months. One leading food retail analyst commented: "The stock is overvalued and is no longer supported by the fundamentals."

Oil stocks busy

The two leading UK exploration and production stocks, Lasmo and Enterprise, were the spearhead in a general upsurge in the oil sector after last week's Opec agreement. News of further encouraging drilling results from a southern Italian oil discovery was said to have been the driving force behind both companies' share prices.

The oil sector in general made good progress after last Friday's Opec agreement to restrict output to some 24.58m barrels a day saw oil prices move up some 20 cents a barrel. But oil analysts were by no means over impressed with the latest moves by Opec. "It's not a good agreement, they've papered over the cracks and oil prices are unlikely to move up from here," said Mr Steve Turner at Smith New Court. "The market will still be dependent on cold snaps to get oil prices up," said Hoare Govett, while Keith Morris at Carr Kitcat said: "I'm not enthusiastic, the oil prices won't go a lot further." County NatWest said: "We see no reason to change our cautious view of the oil sector."

Lasmo ran up 8 to 170p and Enterprise 7¼ to 462½p after more positive news from the Tempa Rossa oilfield in Southern Italy in which both companies hold substantial interests.

BP edged up 2 to 233½ in front of a presentation to Scottish institutions regarding progress on the group's recovery plan. BP is due to address oil analysts in London on December 7.

Shell added 6 at 554p. Burmah Castrol jumped 18 to 667p, responding to a stock shortage and a broker buy recommendation. There was heavy turnover in Aran Energy stock where a block of 6m shares, or around 2.3 per cent of the issued capital, was sold into the market at 15¼p. The shares were thought to have come from one of the big Irish institutions. Aran shares closed unaltered at 16p.

Rosehaugh shivers

The arrival of a receiver at Rosehaugh sent shivers through the property market with selected stocks being marked back in nervous trading. Property developers which have been the hardest hit by the market downturn in the last three years were among the worst performers. Speyhawk lost 2 to 11½p, and Stanhope, which has a joint development with Rosehaugh, 6½ to 11p. Yesterday, Stanhope said its joint venture with Rosehaugh was unaffected by the receivership, funding having been secured last week.

Mr Carl Gough at UBS Phillips and Drew said: "We remain very negative on the sector, but especially on those companies with exposure to the central London office market." He added that he expected other developers to join the casualty list in the near future.

After an initial boost when Britain left the ERM, the commercial property market has recently slumped back into a cycle of falling rents and few buyers. One problem has been the unwillingness of insurers to provide adequate cover against terrorism for central London locations. German buying interest, much in evidence in recent weeks, appears to have faded.

Barclays Bank's substantial involvement with property development ensured that Barclays shares were given a rough ride by the market after news of the suspension of trading in Rosehaugh stock.

There were hints around the market that Barclays exposure to Rosehaugh could well amount to around £150m and specialists pointed out that Barclays had not yet provided for such a sum. Barclays shares dipped to 367p before stabilising and closing a net penny higher at 374p.

A flurry of speculative buying drove TSB shares up 4½ to 143½p with turnover reaching a hefty 7.1m.

The latest political turbulence in Hong Kong brought renewed downward pressures on Standard Chartered and HSBC. The latter dropped 5 to 518p on heavy turnover of 10m and were additionally weighed down by a Lehman Brothers recommendation that investors "take profits" in the stock. Lehman said "growth at the core activities is likely to slow down and recovery elsewhere is likely to be modest; we expect HSBC's medium term profits growth to be below the average for the Hong Kong market." Standard Chartered was also unsettled by speculation that Tan Sri Khoo Teck Puat, the Malaysian businessman, may be considering the sale of his near 13 per cent stake.

Other leading high street banks were affected by the worries concerning the property sector. NatWest held at 394p, after 390p, and Lloyds closed 2 firmer at 502p, after 498p.

The electricity and water sectors were persistently sold and the proceeds switched into the more fashionable cyclical stocks. But the Scottish generators were well supported after Scottish Power posted top of the range half-year profits and a better than expected interim dividend. Power shares settled 2 better at 223p.

Paint manufacturer Manders jumped 20 to 221p after news that it had won a long-term contract to supply own brand paint to the 67-strong Wickes chain of DIY superstores.

Several leading international stocks continued to be boosted by last week's favourable US data which some say points to the prospect of recovery. RTZ jumped 21 to 640p.

US recovery hopes combined with vague takeover talk helped Cadbury-Schweppes add 9 to 453p and United Biscuits 11 to 347p. A stock overhang held back Kwik Save, the shares 13 lower at 731p.

WH Smith was steady at 485p, pinned back by a downgrade from UBS Phillips and Drew. Worries over Our Price records were again cited.

In engineers, an early buyer of TI Group caused a squeeze which sent the shares climbing 13 to 292p. Shares in Glynwed International bucked the strong market trend and shed 2 to 217p, after it was reported that its broker SG Warburg had reduced its current year profits forecast to £32m. The range of forecasts is now between £31 and £34m.

Rolls-Royce rose to 5m as the shares continued to recover, breaking through the 100p barrier. They closed 5 up at 101p. Also recovering was tobacco machinery and packaging manufacturer Molins. The shares jumped 12 to 379p.

Among motor stocks, Burndene were wanted and gained 11 to 201p. A leading securities house was said to have turned positive on T Cowie, helping the shares gain 6 to 137p.

Erskine House were a good market ahead of tomorrow's interim figures and the shares firmed 5 to 75p.

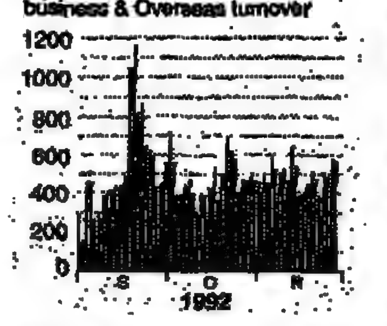
MARKET REPORTERS:
Joel Kibazo,
Christopher Price,
Steve Thompson.

■ Other market statistics, Page 23.

FT-A All-Share Index

Equity Shares Traded

Turnover by volume (million)
Excluding: intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1992

... Opportunity, M & G Cap., Malvern UK Index, Monks Inv., Murray Inc., Murray Intl., New Frontiers 6½pc '10, New Zealand Inv., Overseas Inv., Scott. Natl. Zero Pf., Scott. Mortgage, Second Alliance, TR Pacific, TR Technology, Do Zero Pf., USDC, US Smllr. Co's, Do Wts., Value & Income, MEDIA (4) News Corp., News Intl., Reuters, Utd. Newspapers, MISC (1) Rhino, MOTORS (1) First Technology, OIL & GAS (2) Enterprise, Shell, OTHER FINCL (2) Perpetual, Prov. Financial, PACKG, PAPER & PRNTG (4) Bowater 7¼pc Pf., Carnaud Metalbox, Fiolax, St. Ives, PROP (1) Ewart, STORES (3) Boots, Fine Art Devlpts., Kingfisher, TELE NETWORKS (3) BT, BT (Part/Paid), Vodafone, TEXTS (2) Dewhirst, Leeds, TRANSPORT (2) GATX, Powell Duffryn

NEW LOWS (35).

BRITISH FUNDS (2) Treas. 7¼pc '98, Treas. 8pc '09 A, BLDG MATLS (1) Needler, BUSINESS SERVS (2) CRT, Dart, CONTG & CONSTRCN (2) Bett Bros., Galliford, ELECTRONICS (2) Graseby, Kewill Systems, ENG GEN (3) Neepsend, Torday & Carlisle, Wellman, HOTELS & LEIS (3) Hi-Tec, Resort, Tomorrows, INV TRUSTS (4) Fulcrum Inc., Greyfriars, JF Fledgeling Wts., Lon. & Strathclyde, MEDIA (1) More O'Ferrall, MTL & MTL FORMING (1) CI, MISC (2) Airsprung Furniture, Pittard Garnar, OIL & GAS (2) Presidio, Ranger, OTHER FINCL (1) BWD Secs., PROP (4) Bucknall, Greycoat, Prop. Partnership, Stanhope, STORES (1) In Shops, TEXTS (2) Parkland, Shiloh, TRANSPORT (1) BAA, MINES (1) Placer Pacific.

FINANCIAL TIMES EQUITY INDICES

	Nov 30	Nov 27	Nov 26	Nov 25	Nov 24	Year ago	High	Low
Ordinary share	2095.9	2077.4	2056.0	2033.1	2040.1	1831.5	2149.7	1670.0
Ord. div. yield	4.44	4.47	4.52	4.55	4.53	5.06	5.34	4.24
Earning yld % full	6.08	6.12	6.18	6.31	6.28	7.52	-	-
P/E ratio net	21.04	20.90	20.69	20.20	20.29	16.72	20.84	15.79
P/E ratio nil	19.36	19.23	19.05	18.65	18.73	15.90	-	-
Gold Mines	70.4	68.8	68.7	64.4	63.0	170.9	180.6	63.0

*for 1992 Ordinary share index since compilation: high 2148.7 22/6/92 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2080.8	2089.8	2080.7	2090.2	2090.8	2097.3	2096.0	2094.9	2093.8	2097.9	2080.3

Volume	Nov 30	Nov 27	Nov 26	Nov 25	Nov 24	Year ago
SEAQ Bargains	33,894	34,656	28,987	23,676	24,334	23,180
Equity Turnover(£m)†	-	1197.7	1281.7	1135.1	1219.0	637.93
Equity Bargains†	-	38,322	30,850	26,679	32,378	22,434
Shares traded (mil)†	-	582.0	589.2	487.9	512.7	307.5

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

STRONG mid-session demand sent Footsie futures soaring, helping the near-month contract breakthrough the 2,800 level for the first time this year, though profit-taking prevented the contract from closing at the higher level, writes Joel Kibazo.

A two-way pull was seen at the market's opening as some dealers indulged in profit-taking while some chose to follow through on Friday's strength. A mid-morning seller brought the December contract back to 2,772, however it soon recovered and went forward to break through the 2,800 level when the day's high of 2,802 was reached at lunchtime.

Sentiment was also boosted by UK money supply figures which were seen as another sign of recovery.

More profit-taking saw December surrender earlier gains and the downward momentum gathered pace with the disappointing early performance on Wall Street. Dealers also pointed to the poor performance of the fixed interest markets for the decline.

December closed at 2,797, around 17 points above its fair value premium to cash, which fell to around 4 points with the opening of the new account. Turnover was a modest 6,529 contracts.

In traded options, volume reached 29,974 contracts, ahead of Friday's poor 24,489 lots. Turnover in the FT-SE 100 option was 6,456. Asda was the most active stock option with 4,514 contracts.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2778.8 +18.7	2637.5 +9.9	1313.02 +7.8

FT-Actuaries All-Share

FT-SE Actuaries 350 Industry Baskets

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.
"Shorts" (Lives up to Five Years)						
Treas 8¼pc 1993		100⅛	-1/16	100 13/32	97 13/16	8.23
10pc 1993‡‡		101⅜	-1/16	101 15/32	99 1/16	9.89
12½pc 1993‡‡		103⅝	-⅛	104 3/16	100 11/16	12.80
Funding 6pc 1993‡‡		99 11/16		100	95 3/16	6.07
Treas 13¾pc 1993‡‡		106 11/16	-⅛	107⅝	103⅜	12.89
8½pc 1994		101⅞	-13/32	102 13/32	98¼	8.34
14½pc 1994‡‡		109¾	-⅜	110⅜	104 13/16	13.29
Exch 13½pc 1994		108 13/16	-13/32	110 11/16	103 13/16	12.41
Treas. 10pc Ln. 1994‡‡		104 7/16 xd	-½	105 15/16	98 13/16	9.58
Exch 12½pc 1994		108 13/16	-13/32	110 3/16	103 3/16	11.49
Treas 9pc 1994‡‡		103 13/16	-13/32	104 13/32	96⅝	8.67
12pc 1995		109 11/16	-13/32	111 1/16	102 23/32	10.97
Exch 3pc Gas 90–95		94½	-⅛	95¼	88¼	3.17
10¼pc 1995		107¼	-⅝	108⅞	99⅜	9.58
Treas 12¾pc 1995‡‡		114⅝	-13/32	116½	108¼	11.15
14pc 1996		117 13/16	-11/32	119 23/32	109 13/16	11.92
9pc 1992–96‡‡		100⅜	-⅛	104½	98⅜	8.97
15¼pc 1996‡‡		122 13/16	-11/32	125¼	113 13/32	12.48
Exch 13¼pc 1996‡‡		116⅝	-13/32	119⅜	108	11.36
Conversion 10pc 1996		108½	-13/32	110 13/32	98 13/32	9.25
Treas 13¼pc 1997‡‡		119⅜	-13/32	121 23/32	109 13/16	11.12
Exch 10½pc 1997		110	-13/32	112⅞	100 13/32	9.55
Treas 8¾pc 1997‡‡		104⅝	-13/32	107½	94	8.36
8¾pc '97 ‡‡(£25 pd)		27 13/32	-13/32	30½	25	8.37
Five to Fifteen Years						
Exch 15pc 1997		128 13/32	-1⅛	131⅜	117 13/16	11.60
9¾pc 1998		106¼	-⅝	111⅛	97 11/16	9.01
Treas 7¼pc 1998 (£25 pd)		24 11/16	-13/32	27⅛	24⅜	7.27
Treas 6¾pc 1995–98‡‡		98 13/32	-13/32	99 3/32	86 13/16	6.90
15½pc '98‡‡		133¼	-1⅛	137 13/16	123⅜	11.59
Exch 12pc 1998		117 13/16	-1	121⅛	107 13/16	10.17
Treas 9½pc 1999‡‡		107 13/16	-13/32	111⅜	97⅜	8.83
Exch 12¼pc 1999		119½	-1	123⅜	109⅞	10.25
Treas 10½pc 1999		112⅜	-1⅛	116⅜	101 13/16	9.37

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1992 high	1992 low	Mkt Cap £m	Yld Gr's
Abbott Labs h	28⅝ xd	+⅛	21	14⅞	17,397	1.8
Alleghany & W ♥	451p	+14	454p	226p	224.8	4.4
Amdahl	516p	—	1159p	455p	581.7	1.2
Amer Cyanamid	38½	+⅜	38½	28⅝	3,475	2.7
Amer Express	16⅜ xd	+⅛	15⅞	10⅞	[illegible]	4.1
Amer T & T	31⅞ xd	+⅛	31½	20⅛	41,725	2.7
Ameritech	45⅝	+⅝	45⅝	32½	16,757	4.9
BankAmerica	30⅝ xd	+⅛	30⅝	18⅛	16,422	2.7
Bankers NY	43⅛ xd	+1	44	28⅞	3,611	4.0
Bell Atlantic	31⅛	-⅛	31½	23⅛	13,491	5.2
BellSouth	32½	+⅛	34⅛	25	15,[illegible]	5.4
Bethlehem Steel ♥	9 xd	-⅛	10⅛	5⅛	898.8	—
Bowater	1604p xd	—	1604p	905p	581.2	4.7
CPC h	31 xd	+2⅛	33	22⅞	4,780	2.4
Cadiz Land Inc ♥	116p	-14	342p	108p	—	—
California Engy	974p	—	[illegible]	591p	177.3	—
Chase Manhattan	18⅛ xd	+½	18⅛	9⅛	2,700	4.2
Chrysler	19⅝ xd	+⅛	19⅞	6⅛	5,730	1.9
Citicorp	12 xd	+⅛	12	5⅞	[illegible]	—
Colgate-Palm	40 xd	+⅞	43⅛	25⅛	6,376	2.0
Cont'l Bank	1277p	+2	1277p	488p	1,201	3.0
Dana	28 xd	+⅛	28	14⅞	1,296	3.6
Data General	748p	+25	1004p	394p	[illegible]	—
Decora Inds ♥	145p	—	145p	66p	—	—
Dun & Brad	36	+⅛	38⅛	27⅝	6,760	3.6
Eaton	49	+1	49	32½	1,881	2.8
Echlin	13 xd	+⅛	18½	7⅞	772.3	3.3
FPL	23⅛ xd	+⅛	23⅛	17	4,125	6.7
Fluor	30 xd	+⅛	30	19⅛	2,480	0.8
Ford Motor	27⅞ xd	+⅞	27⅞	16	13,529	2.3
Gen Elect	65 xd	+⅛	55	38⅛	[illegible]	2.9
General Host ♥	[illegible]	+32	608p	360p	—	3.6
Gillette	38⅛ xd	+⅛	48	23	8,690	1.2
Hasbro	23½	+⅝	23½	12⅛	2,048	0.5
Honeywell	44⅝ xd	+½	44⅝	32	3,898	2.5
Houston Inds	29⅛	+⅛	29½	22	3,[illegible]	6.4
IBM	43 xd	+⅛	54½	39	25,904	7.0
Ingersoll-Rand	29⅛ xd	+⅛	21	12	2,152	2.1
Lockheed	33	+⅛	33	22⅛	2,024	4.0
Loews h	1489p	+34	1489p	815½p	1,[illegible]	1.2
Merrill Lynch	39⅛ xd	+⅛	39	24⅞	4,[illegible]	1.9

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

Authorised by the Inland Revenue

INVESTMENT TRUSTS - Cont.

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INVESTMENT TRUSTS - Cont.

INVESTMENT COMPANIES

MEDIA

MEDIA - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

	Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
■Anglian	†	488	-4	[illegible]	308½	1,306	5.6	8.4
Bristol Water		785	—	710	485	41.8	5.3	10.1
Cheam A		179	—	189	170	8.88	5.6	8.2
B N/V		182	—	179	135	3.80	6.2	7.4
East Surrey	†	247	—	247	200	31.8	5.2	6.2
Mid Kent	†	244xd	-2½	265	183	41.5	5.2	7.8
■North West	†	476	-7	513	323	1,677	5.7	8.1
■Northumbrian	†	635	-4	664	336	308.5	5.2	5.5
■Severn Trent		444	-6	479	298	1,678	5.8	6.6
■Southern		483	—	485	301	743.4	5.7	7.5
South Staffs	†	1196xd	+15	1300	670	64.2	4.5	7.7
■South West	$†	485	-3	524	306	008.4	6.1	7.2
■Thames	†	480	-2	518	324	1,657	5.3	9.1
■Welsh	†	610	-2	648	337	738.4	5.7	5.8
■Wessex		562	-2	603	368	601.1	4.8	8.2
■Yorkshire		514	-2	547	336	1,018	5.1	8.7

SOUTH AFRICANS

	Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£7½	—	£14⅛	£7½	428.2	10.5	4.7
Barlow Rand		£6⅞xd	+⅛	£10⅛	£5½	1,168	6.4	♦
Gold Flds Prop	s	56	+2	118	49	5.73	19.6	7.4
New Klein Prop		158	—	169	105	3.82	9.1	6.0
OK Bazaars	‡	76	—	183	75	78.3	‡	—
SASOL	♥	215	+25	346	190	1,218	8.0	♦
SA Brews		780xd	+62	1020	585	4,825	3.8	11.5
Tiger Oats		697	+49	737	512	855.9	2.7	♦
Tongaat-Hulett		289	+12	480	187	189.7	8.2	4.7

PLANTATIONS

	Notes	Price	+ or -	1992 High	low	Mkt Cap£m	Yld Gr's
Rubbers, Palm Oil							
Anglo-East	Z	38	—	38	33	12.7	1.3
Bertam		76	—	84	50	18.8	4.5
Cons Plants MS		48	+3	61	30	345.8	7.4
Golden Hope MS		46	+1	47	29½	480.1	5.3
Highlands MS		29	—	31	20	87.6	10.1
Kuala Kepong MS		75	+2	78	54	322.8	5.1
Rowe Evans		41	—	43	32	14.8	3.3
Teas							
Moran		1330	—	135	120	5.83	1.0
Williamson		690	—	1000	575	19.2	4.5

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT at 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ● Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below
- ♦ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield, p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. i Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated [illegible] v Not subject to ACT. z Dividend yield includes a special payment. E Auction basis. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1993. K Yield based on prospectus or other official estimates for 1992-93. L Estimated annualised yield, p/e based on [illegible] official estimates for 1993-94. N Yield based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1994. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; [illegible]

FT Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring +44 81-643 7181 (open 24 hours including weekends) or fax +44 81-770 0544, quoting the code FT7030. Reports will be sent the next working day, subject to availability. Please remember to state the weekly changing code above.

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FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F

51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	153.0	154.7xd	162.8	+0.50	0.00
AIB Grofund Equity	5	195.6	198.3	209.9	+1.00	2.00
AIB Grofund Euro	5	143.3	145.3	153.0	+0.60	0.97
AIB Grofund Eqt Balanced	3	96.00	97.68	100.7	+0.40	0.00
AIB Grofund Gilt	3	74.39	74.41	76.71	-0.39	5.58
AIB Grofund Japan	5	125.6	127.0xd	133.7	+0.80	0.00

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 - 379 - [illegible]

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

Prolific Life & Pensions Ltd

Prosperity Life Assurance Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Corporate Pension Funds

Prudential Individual Life Funds

Prudential Individual Pension Funds

Reliance Mutual

J Rothschild Assurance PLC

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Alliance Group - Contd.

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

AEtna Intl Assurance (Bermuda) Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Life

Equitable Life (International)

Eurolife Assurance Group

Fidelity International

Hafnia Prolific International

Hansard International Ltd

Isle of Man Assurance Ltd

NEL Britannia International Ltd

PanEuroLife societe anonyme

Providence Capital International Ltd

Target International Group

MANAGEMENT SERVICES

Bain Clarkson Asset Management

C F S Financial Mngmt

Capital Trust Financial Management

Chase de Vere PLC

Fairmount Financial Services Ltd

Foster & Braithwaite Ltd

Henderson Financial Services Ltd

IFS Capital Management PLC

Independent Financial Group PLC

Johnson Fry Asset Managers Plc

Knight Williams & Company Ltd

Macarthur & Dowie Invest Mngt Plc

Northam Rees & Partners

Pendleton May Financial Services Ltd

Rosborough Financial Management Ltd

Charles Stanley & Co Ltd

Tattersall Investment Mngt. Ltd

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Royal Bank of Canada Offshore Fd Mgrs Ltd

Lloyd George Management

Newport Investment Management

Orion Fund Limited

CANADA (SIB RECOGNISED)

GRC Asset Management

GUERNSEY (SIB RECOGNISED)

AIB Grofund Inv Managers (Guernsey) Ltd

Adams & Neville Fd Managt (Guernsey) Ltd

Baring Intl Fd Managers (Guernsey) Ltd

Equitable International Fund Managers Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Kleinwort Benson Intl Fd Mgrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lewis Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Sarasin Funds Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)

AMZ Mngmt Co (Guernsey) Ltd

Credit Suisse Asset Mngmt (Guernsey) Ltd

Hambros Fund Managers (CI) Ltd

Henderson Admin. (Guernsey) Ltd

Kleinwort Benson Intl Fd Mgrs Ltd

Lazard Fund Mngrs (CI) Ltd

Merrill Lynch Guernsey

Nikko Capital Mngt (Europe) Ltd

Quilter International Management Ltd

Rothschild Asset Mngmt (CI) Ltd

Saudi International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

S.G. Warburg Asset Management

IRELAND (SIB RECOGNISED)

GAM Fund Management Ltd

GT Asset Management (Ireland) Ltd

Hafnia Prolific International Mngmt Ltd

Morgan Grenfell Investment Funds Ltd

Putnam Intl Fund Ltd

IRELAND (REGULATED)

Bank of Ireland Unit Managers Ltd

Barclays International Fd Mngrs (Ireland) Ltd

Bishops Mutual Fund Mngmt (Ireland) Ltd

Federated International Funds Plc

GT Asset Management (Ireland) Ltd

Hambros Fund Managers (Ireland) Ltd

Irish Life International Fd Mngrs Ltd

Morgan Grenfell Fund Mngrs (Ireland) Ltd

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Allied Dunbar Intl Fund Mgrs (IoM) Ltd

Asset Global Fund Ltd

CMI Fund Managers (IoM)

Gartmore Fund Managers (IoM) Ltd

Leopold Joseph Fund Mngrs (IoM) Ltd

Outlook Scandinavian Fund Ltd

ISLE OF MAN (REGULATED)

ATC Fund Management (IoM) Ltd

AXA Equity & Law Intl Fund Mgrs

Appleton Financial Advisers Ltd

City Financial Admin (IoM) Ltd

John Govett Management (IoM) Ltd

هكذا من الأصل

FT MANAGED FUNDS SERVICE

	Bid Price	Offer Price	+ or -	Yield Gross
[illegible] Global Funds Limited				
Intl Stlg Grwth	£20.42	21.51		-
Intl $US Grwth	$17.61	18.55		-
High Income Gth	£26.04	26.99		-
International Equity	£20.83	21.93		-
International Bond	£22.55	23.38		-
Managed Currency	£27.75	28.04		-
Sterling Currency	£26.38	26.66		-
US$ Currency	$37.72	38.11		-
[illegible] Currency	[illegible]19.07	15.23		-
R & H Fund Managers Ltd				
LFM Sterling Fd	£11.01	11.48		-
B F Offshore Inc Fd Ltd	£11.49	12.10		-
Target International (Isle of Man) Ltd				
[illegible] Offshore Fd	£9.13	9.82		-
[illegible]	£9.24	9.49		-

JERSEY (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey 0534 36633						
AIB Currency Funds Ltd						
Intl Managed Bond	5		£-21.0056	21.0186		-
Managed Capital Bd	5		£-21.0531	21.0822		-
AIB Dividend Currency Fund Limited						
Stlg Mngd Currency	5		£-	10.9203		-
Sterling Currency Fd	5		£-	10.5206		-
Ecu Currency	5		Ecu-	10.7317		-
US Dollar Mngd Curr	5		$-	21.4322		-
Barclays International Funds						
PO Box 152, St Helier, Jersey CI 0534 67888						
Australian Eq (Inc)	5¼	£0.874	0.878	0.940	-0.01	1.0
Global Income (Inc)	5¼	£0.510	0.517	0.553	-0.02	2.4
Global Resources	5¼	£0.405	0.409	0.438	-0.01	0.6
Currency Funds						
Stlg Premium Income		£10.21		10.22	+0.01	6.5
Sterling		£-		23.46	+0.01	6.5

	Bid Price	Offer Price	+ or -	Yield Gross
Lloyds Bank Trust Co (CI) Mngrs				
Lloydsfund World Inc Port	£2.478	2.602		1.25
Dealing weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	£9.83	9.87	-0.06	9.52
Minerals, Oils Res. Shrs. Fd. Inc.				
Mares Nov 26	$13.02	13.29		3.01
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income(z)	52.8	55.0		8.11
UK Equity Fd (z)	218.3	228.0	+0.02	2.81
*Intl Bond Fd	99.9	103.0		7.09
*Sterling Mngd Asset Fd	539.6	568.0		5.00
*Sub day every Thurs				
NatWest TrustCur Currency Fund (z)				
Dollar Class		$38.1127	+0.0252	-
Sterling Class		£26.8640	+0.0004	-
D-Mark Class		DM83.2957	+0.0180	-
Dutch Guilder Class		Dfl82.7677	+0.0161	-
Japanese Yen Class		Y7951.9000	+0.8000	-
Adderman Replica Portfolio Ltd				
Adderman Replica P'tfolio Ltd £	11.15	11.98		-
Adderman Replica P'tfolio Ltd $	$10.21	10.60		-
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Nov 26	$34.15	36.32		-
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Intl Grwth Fd	$3.6410	3.8693		-
Offshore Japanese Grwth Fd	$0.9079	0.9649		-
Offshore Am Grwth Fd	$6.3476	6.7456		-
Offshore Emerging Cos	$3.6144	3.8411		-
Offshore European Fd	$1.4424	1.5329		-
Offshore Far Eastn Fd	$2.2186	2.3578		-
Offshore UK Growth Fd	$1.7336	1.8424		-
The Portugal Fund Limited				
Lloyds Bank Trust Company (Channel Islands) Ltd				
NAV Nov 20		34.24		-
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
Ivory Growth Fund	£14.47	14.64		1.43
LFM Defensive Strtgy	£11.35	11.98		-
Royal Trust Intl Fd Mngt Ltd				
Sterling Fxd Int (z)t	99.90	100.90	+0.90	7.63

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

JERSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound and dollar easier

INTERNATIONAL currencies traded quietly yesterday as the foreign exchange markets paused to take stock following volatility in Europe and a stronger US currency, *writes Peter John.*

The dollar was broadly easier, despite hints of another tranche of positive economic news today, while sterling failed to reflect the good news from yesterday's money supply figures. Even the beleaguered Irish punt stayed on the sidelines and picked itself up from the floor of the exchange rate mechanism.

Dealers said that the dollar was not attracting attention and there was a feeling that its recent rise might have been overdone, at least in the short-term. This was borne out by the lack of reaction to the latest figures from the Chicago Purchasing Managers Index. The rise to 54.2 per cent from 49.7 per cent was greater than expected and suggested good news today from the more significant National Association of Purchasing Managers. Nevertheless, the dollar traded sideways against the yen closing at Y124.45 against Y124.35 and slipped against the DMark to DM1.5935 from DM1.5980. However, the German currency was also subdued as economics minister Mr Juergen Moellemann said that the global recession had finally caught up with the country. Third-quarter figures due on Thursday are expected to confirm the gloomy standpoint.

Sterling might have been expected to receive a lift from the news that money supply, at least the narrow measure that comprises notes and coins in circulation, had increased. However, the implication that people were finally beginning to spend was countered by suggestions in the market that the influx of new, smaller 10p coins was at least partly to blame. Also, any auspicious news was overshadowed by the negative weekend press stories surrounding the UK chancellor and most dealers took the money supply figures with a pinch of salt. The pound was marginally easier against the German currency, slipping to DM2.4125 from DM2.4160 and closing slightly lower at $1.5135 against $1.5115.

The Irish punt survived against the expectations of many and although the devaluation fears remain it climbed two places up the ERM ladder above the French franc and the Danish krone. However, France maintained its intervention rate at 9.1 per cent and there was a conviction in the market that the franc did not deserve to be so low on the ERM scale.

The Portuguese escudo remained at the top of the ERM as Mr Miguel Beleza, the governor of the Bank of Portugal, distanced himself from the possibility of devaluation.

Outside the European basket of currencies, the Norwegian krone was helped by an inflow of currency which enabled the Norwegian central bank to cut its overnight lending rate to 17 per cent from a six-year high of 25 per cent. The cut follows a raise a week ago after the currency was hit on the foreign exchanges by devaluation pressures.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 30	% Change from Central Rate	% Spread v Weakest Currency	Divergence Indicator
Portuguese Escudo	182.194	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	143.386	[illegible]	[illegible]	[illegible]	[illegible]
Belgian Franc	40.6304	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	2.21958	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	1.96992	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	6.60683	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	7.43679	[illegible]	[illegible]	[illegible]	[illegible]
Irish Punt	0.735334	[illegible]	[illegible]	[illegible]	[illegible]

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. (17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

£ IN NEW YORK

Nov 30	Latest	Previous Close
£ Spot	1.5160 - 1.5175	1.5115 - 1.5125
1 month	0.46 - 0.46pm	0.46 - 0.44pm
3 months	1.29 - 1.28pm	1.26 - 1.23pm
12 months	3.72 - 3.62pm	3.60 - 3.50pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov 30	Previous
8.30 am	78.4	78.5
9.00 am	[illegible]	[illegible]
10.00 am	[illegible]	[illegible]
11.00 am	[illegible]	[illegible]
Noon	[illegible]	[illegible]
1.00 pm	[illegible]	[illegible]
2.00 pm	[illegible]	[illegible]
3.00 pm	[illegible]	[illegible]
4.00 pm	[illegible]	[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

*Floating rate. Iran Official rate: £99.70 $66.20

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

Commercial rates taken towards the end of London trading.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

[illegible]

Long term Eurodollars: two years 5¼-5⅛ per cent; three years 5⅞-5¾ per cent; four years 6¼-6⅛ per cent; five years 6⅝-6½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen, others, two days' notice.

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE EUROMARK OPTIONS; LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS; LIFFE SHORT STERLING OPTIONS; LIFFE EURO SWISS FRANC OPTIONS; CHICAGO; LONDON (LIFFE); PHILADELPHIA SE £/$ OPTIONS; PARIS

[illegible]

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5135	1.5099	1.5007	1.4903	1.4773

BASE LENDING RATES

	%		%		%
Adam & Company	7	Credit Lyonnais	7	McDonnell Douglas Bak	7
Allied Trust Bank	7	Cyprus Popular Bk	7	Midland Bank	7
AIB Bank	7	Duncan Lawrie	7	Mount Banking	7
• Henry Ansbacher	7	Equatorial Bank plc	7	NatWestminster	7
B & C Merchant Bank	13	Exeter Bank Limited	8	Northern Bank Ltd	7
Bank of Baroda	7	Financial & Gen Bank	7	Nykredit Mortgage Bank	7.5
Banco Bilbao Vizcaya	7	• Robert Fleming & Co	7	• Rea Brothers	7
Bank of Cyprus	7	Girobank	7	Roxburghe Guarantee Corp	7
Bank of Ireland	7	• Guinness Mahon	7	Royal Bk of Scotland	7
Bank of India	7	Habib Bank AG Zurich	7	• Smith & Williamson Secs	7
Bank of Scotland	7	• Hambros Bank	7	Standard Chartered	7
Barclays Bank	7	Hampshire Trust Plc	13.5	TSB	7
Brit Bk of Mid East	7	Heritable & Gen Inv Bnk	7	• United Bk of Kuwait	7
• Brown Shipley	7	• Hill Samuel	7	Unity Trust Bank Plc	7
CL Bank Nederland	7	C. Hoare & Co	7	Western Trust	7
Citibank NA	7	Hongkong & Shanghai	7	Whiteaway Laidlaw	7
City Merchants Bank	7	Julian Hodge Bank	7	Yorkshire Bank	7
Clydesdale Bank	7	• Leopold Joseph & Sons	7		
Co-operative Bank	7	Lloyds Bank	7		
Coutts & Co	7	Meghraj Bank Ltd	7		

• Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Record UK assistance

THE SPECTRE of Black Wednesday returned to the money markets yesterday as the Bank of England provided record assistance of £3.95bn. The help reflected a gilt repo agreement set up to balance the books following the UK central bank's failed attempt to prop up the pound on September 16, *writes Peter John.*

Aware that the money market was unable to cope with the massive scale of government intervention via normal channels it set up a special gilt repo on September 18. A number of clearing banks were unhappy with the gilt repo rates. That disenchantment meant that a new opportunity offered by the Bank yesterday to roll over funds until February 1 attracted little interest and the Bank was forced to repurchase heavily.

UK clearing bank base lending rate 7 per cent from November 13, 1992

However, the early forecast shortage of £4bn, later revised to around £3.95bn was successfully taken up prompting one money market operator to comment; "The system coped particularly well in exceptionally difficult circumstances." Another said: "It just goes to show that the daily miracle is still working."

Because of the size of the shortage the Bank was using all the weapons in its armoury yesterday. While it normally offers only short-dated band 1 and 2 bills it was yesterday providing longer dated band 3 and 4 bills.

Nevertheless, the size of the shortage, combined with various economic indicators and pressure from overseas banks forced bank rates higher. Dealers responded to hints from Germany that interest rates would not fall further as well as the latest rise in M0, the narrow measure of money, which is seen as removing pressure on the government to cut UK rates. Also, Japanese banks have been, according to at least one dealer, "voracious takers of funds" ahead of their financial year end and that buying has pushed inter-bank rates above the level that reflects the inflationary trend.

The overnight rate was squeezed up to nine per cent at one stage, purely on technical factors, while the more representative three-month money hit $7\frac{7}{16}$ per cent before closing at 7⅜ per cent.

Short sterling was also under pressure with the March contract experiencing heavy turnover of more than 40,500 contracts and moving down 25 percentage points to 93.31, signalling some doubt over a continued fall in interest rates.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov 30) 3 months US dollars; 6 months US Dollars

bid 3¼	offer 4	bid 3¾	offer 4

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Lunchtime; Prime rate; Broker loan rate; Fed funds; Fed funds at intervention. Treasury Bills and Bonds: One month; Two month; Three month; Six month; One year; Two year; Three year; Five year; Seven year; 10-year; 30-year

[illegible]

Nov 30 — Overnight; One Month; Two Months; Three Months; Six Months; Lombard Intervention — Frankfurt; Paris; Zurich; Amsterdam; Tokyo; Milan; Brussels; Dublin

[illegible]

LONDON MONEY RATES

Nov 30 — Overnight; 7 days notice; One Month; Three Months; Six Months; One Year — Interbank Offer; Interbank Bid; Sterling CDs; Local Authority Deps.; Local Authority Bonds; Discount Mkt Deps; Company Deposits; Finance House Deposits; Treasury Bills (Buy); Bank Bills (Buy); Fine Trade Bills (Buy); Dollar CDs; SDR Linked Dep Offer; SDR Linked Dep Bid; ECU Linked Dep Offer; ECU Linked Dep Bid

[illegible]

Treasury Bills (sell); one-month 6⅞ per cent; three months 6⅞ per cent; Bank Bills (sell): one-month 6⅞ per cent; three months 6¾ per cent; Treasury Bills: Average tender rate of discount 6.4577 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day November 30, 1992. Agreed rates for period December 26, 1992 to January 25, 1993, Scheme I 8.71 p.c. Schemes II & III: 8.54 p.c. Reference rate for period October 31, 1992 to November 30, 1992, Scheme IV&V 7.267 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 8 from December 1, 1992. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 4 per cent; one-three months 7 per cent; three-six months 6½ per cent; six-nine months 6½ per cent; nine-twelve months 6 per cent; Under £100,000 4¼ per cent from Oct 20, 1992. Deposits withdrawn for cash 4 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

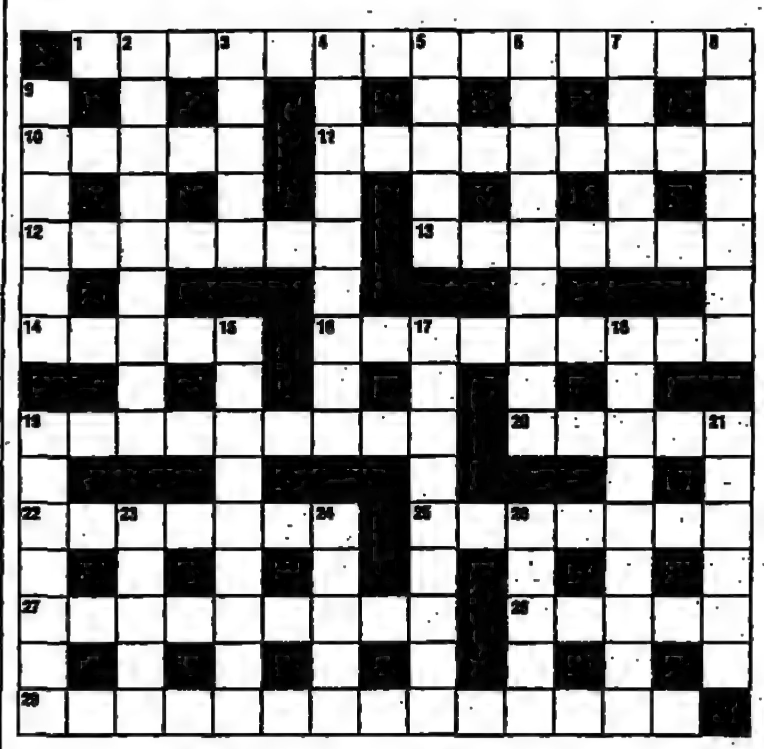
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.8,017 Set by DANTE



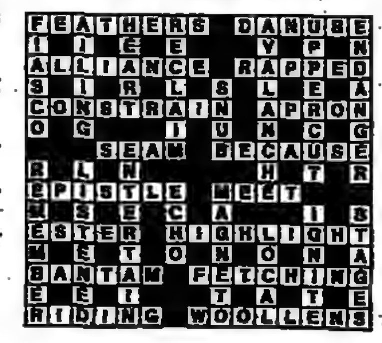
ACROSS

1 One who should be inside out (7,7)
10 Money advanced for empty apartment (5)
11 Its ups and downs may be studied by the pilot (4,5)
12 Ruler and a sheet of paper required (7)
13 High point for the first lady and others (7)
14 Give free medical attention? (5)
16 A heroic swimmer accepted kiss from a great man in history (9)
19 Acts in an off-putting way (9)
20 Pick Scrabble tile E (5)
22 Companion given a smile, despite one's annoyance (7)
25 Grenade thrown in temper (7)
27 Non-specialist who takes work as it comes (3,3,8)
28 Their girders are primed (5)
29 It's not like you to be taking no part (3,2,9)

DOWN

2 The last place to look for intelligence (4,5)
3 He plays his part in fact or fancy (5)
4 Possibly treat nine to dinner (9)
5 Beg for keys (5)
6 End a metro trip to see it? (5,4)
7 I'm getting a numberless blue dye (5)
8 High toned speaker (7)
9 Pretend to have influence (6)
15 Past offer may result in contracts (6,3)
17 Oriental trees are cultivated round the point (9)
18 When to take action in prison (5,4)
19 I get two hundred in game that's played (7)
21 Describing one with the most experience of life (6)
23 Exam on book work (5)
24 An immature six-footer (5)
26 Priest in church demonstrates holy memento (5)

Solution to Puzzle No.8,016



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WORLD STOCK MARKETS

TOKYO - Most Active Stocks

Monday, November 30, 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsui Min	12.8m	508	+9	Kawasaki Steel	3.0m	288	
Nippon Steel	5.7m	291	+8	Mitsubishi Kak	2.8m	1,130	+30
Kaken Pharm	4.2m	1,510	+20	Toshiba Corp	2.4m	622	+2
Sumitomo Metal	3.7m	273	+7	NKK	2.3m	256	+7
Mitsubishi Hvy	3.0m	553	+13	NEC Corp	2.1m	695	+24

3 pm November 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	11	AAR Corp	0.48	4.1	19	293	11⅞	11¼	11½	+⅛
[illegible]	18	A L Labs A	0.18	0.8	136	700	21⅞	21¼	21¼	+⅛
[illegible]	52⅞	AMP Inc	1.52	2.8	21	1297	58	57	58	+⅞
[illegible]	[illegible]	AMR				136019	65½	64½	64½	+⅛
[illegible]	1⅞	ARX			12	13	2	1⅞	1⅞	
[illegible]	[illegible]	ASA	2.00	6.2	21	367	32½	31½	32⅛	+⅝
[illegible]	[illegible]	Abbott Lab	0.60	2.0	21	7279	31⅛	30½	30¾	−⅛
[illegible]	[illegible]	Acme Cleve	0.40	4.5	16	73	9	8¾	8⅞	−⅛
[illegible]	[illegible]	Acme Elect			37	5	5	4⅞	4⅞	−⅛
[illegible]	[illegible]	Acuson			13	657	18¼	17⅞	18	+⅛
[illegible]	[illegible]	Adams Expr	1.62	8.3		80	19½	19¼	19½	+⅛
[illegible]	[illegible]	Adv Micro				370		44		+½
[illegible]	[illegible]	Advest Grp			12	19	6	5⅞	5⅞	
42¼	33	Aegon ADR	1.35	3.3	7	44	40⅝	40½	40⅝	
[illegible]	39	Aetna L&C	2.76	6.0	13	2644	45⅞	44¼	45⅞	+1⅝
12⅝	[illegible]	Ahld A	0.24	[illegible]	15	708	11½	11⅜	11⅜	
34	24	Aflac	0.34	1.4	14	1621	31⅞	31¼	31½	
19¼	13	Ahmanson	0.88	5.1		8078	17¼	16⅞	17¼	+⅜
22½	4	Aileen Inc			15	913	[illegible]	8⅜	8⅞	+⅜
[illegible]	26½	Air Pr Chem	0.86	1.8	19	1794	47⅞	47½	47¾	+⅛
[illegible]	12½	Airborne Frt	0.30	1.6	178	151	19½	19⅛	19¼	
[illegible]	11¾	Airgas Inc			31	240	20¼	20	20¼	−⅛
[illegible]	[illegible]	Airlease	1.68	15.4	8	39	11	10⅞	10⅞	−⅛
105	100½	Ala B 8.28C x	8.28	8.1		z100	103	103	102	−1
[illegible]	[illegible]	Alaska Air	0.20	1.2	5	675	16¾	16⅝	16¾	+⅛
[illegible]	[illegible]	Albany Int	[illegible]	2.4	59	34	14⅝	14⅜	14⅜	

1992 High	Low	Stock	Div.
66⅛	47⅛	BP ADR x	3.04
32¾	27⅞	BP Prudhoe	3.10
1⅞	0.02	BP Wts93	
15⅜	7	Brit Steel	0.94
70⅝	53⅞	Br Telecm	4.02
25⅞	15¼	Broad Inc	0.28
35⅛	28	Brooklyn U	1.94
28¾	21	Brown Grp	1.60
10½	5	Brown&Shrp	0.32
90	72	BrwnFormaB x	2.72
25¼	19⅝	Browning F	0.68
3⅞	1⅞	BRT	
17¾	12⅛	Brunswick x	0.44
19	12⅞	Brush Well	0.20
32½	25⅞	Buckeye Pt	2.80
17¼	14⅞	Bunker Hill	1.36
15	11⅜	Burger K I	1.56
22	11	Burl Coat	
47⅞	33¼	Burl North	1.20
43⅝	33	Burln Resc	0.50
18	14¼	Burnham Pc	1.36

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1992 High	Low	Stock	Div.	Yld. %
37½	26⅝	CBI Ind	0.48	1.8
220½	132¾	CBS Inc x	1.00	0.5
1⅝	⅝	CCX Inc		
⅝	⅛	CF Inc Uts	0.16	102.4
22⅝	14⅞	CMS Energy	0.48	2.8
104½	78½	CNA Finl		
51¼	39¾	CPC Intl	1.20	2.5
27¼	14⅞	CPI Corp	0.56	2.9
69¼	54½	CSX x	1.52	2.2
24½	17¼	CTS Corp	0.40	2.2
33⅝	28¼	Cable&Wire	0.83	2.7
75¼	42⅛	Cabletron		

[illegible]

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3 pm November 30

NASDAQ NATIONAL MARKET

3 pm November 30

AMERICA

Big technology stocks feature in busy trading

Wall Street

US prices were mixed in busy trading yesterday, although a strong showing from big technology stocks and more good economic news ensured that market sentiment remained positive, *writes Patrick Harverson in New York.*

By 1pm the Dow Jones Industrial Average was up 11.35 at 3,293.55. The more broadly based Standard & Poor's 500, which reached new highs last week, edged higher, adding 0.12 at 430.23, while the Amex composite fell 0.29 to 393.10 and the Nasdaq composite firmed 0.09 to 649.58. Turnover on the NYSE was heavy at 132m shares by 1pm, and rises outpaced declines by 925 to 709.

Although the market's mood was positive at the opening following recent signs that the pace of the economic recovery is quickening, there was no surge in demand of the type that pushed shares sharply higher last week.

Buying did pick up, however, after the Chicago purchasers' report was released, showing that the index of manufacturing activity in the region had risen from 49.72 in October to 54.22. With the National Association of Purchasing Management's report due out today, the Chicago figures raised hopes that business activity is accelerating across the US.

Investors also hope that the pick-up in manufacturing will presage an improvement in labour market conditions. The latest data on the jobs market are due on Friday when the November employment report is released.

The Dow was helped by good demand for technology stocks, particularly IBM. The poor performance from IBM over the past few months is one of the main reasons why the Dow has lagged other market indices which have set record highs in recent days.

Yesterday, however, IBM rose $2⅛ to $68 in turnover of 1.4m shares after Smith Barney, the broking house, upgraded the stock from "hold" to "speculative buy" on the grounds that it believed the shares have bottomed out. Other technology stocks rose in IBM's wake, with Digital Equipment up $1⅞ at $33¾, Motorola $1⅞ higher at $101⅞ and Hewlett-Packard up $1¼ at $66⅞.

Neiman Marcus jumped $1¼ to $18⅞ on reports that sales from the luxury retail group's Christmas catalogue were at record levels.

Ambac fell $2⅞ to $42¼ after the broking house Salomon Brothers cut its rating on the stock from a "buy" to a "hold" and removed it from its recommended list. Another stock to suffer from a Wall Street broker's downgraded was Amdahl, which slipped $⅞ to $7 on the American Stock Exchange.

On the Nasdaq market, AGCO firmed $1⅛ to $10¼ on the news of its pact to be the exclusive farm equipment distributor in North America for the big manufacturer Varity.

Canada

TORONTO stocks were fractionally lower at midday in featureless trading, in spite of early gains in New York. The TSE-300 index was 1.5 lower at 3,275.1 in volume of 16.4m shares valued at C$159m. Declines outweighed advances by 310 to 189 with 253 unchanged. The financial services sector slipped 27.06 to 2,554.46 as the Bank of Nova Scotia fell C$⅞ to C$23⅞.

SOUTH AFRICA

DE BEERS and other index-linked blue chip shares lifted the market as the all-share index climbed 58 or 1.85 per cent to 3,192. The industrial index improved 50 to 4,192 while golds firmed 25 to 861. De Beers rose R3.15 to R58.90.

EUROPE

Firmer dollar contributes to rise on Continent

A FIRMER dollar contributed to the rise on most continental bourses yesterday, though other factors were also at work, *writes Our Markets Staff.*

FRANKFURT saw its biggest one-day rise in the DAX index for nearly two weeks, although most analysts thought that the rally had little to do with fundamentals. The index closed 21.39 ahead at 1,544.34 after a gain in the FAZ at midsession of 6.64 to 606.05. Turnover rose to DM4.9bn from Friday's DM3.8bn.

In the absence of major corporate news (10-month results are due from the banks later this week) investors were pleased by the moderate 5 per cent pay claim sought by the civil service union. This indicates a much more realistic mood among unions, although warning strikes in the insurance sector have been threatened for Thursday as the DAG union pursues a separate claim.

Expectations of disappointing third-quarter GNP figures for west Germany, due for release on Thursday, appear to have been discounted by the market. Forecasts are for a 0.5 per cent fall in GNP from the same period last year.

Deutsche Bank, Siemens and Daimler all stood out, with high volume noted in the first two. Deutsche Bank rose DM9.40 to DM676, Siemens advanced DM6.60 to DM602 and Daimler gained DM13.70 to DM646.

Asko was another of the day's big risers, up DM41 to DM573 following last week's news that the cartel office had approved its merger with the Metro group.

PARIS rose further on continued hopes of an early cut in interest rates. The CAC-40 index ended up 21.71 or 1.2 per cent at 1,771.37. Trading was quiet until the last hour of the session when it was enlivened by the expiry of November stock index futures, which boosted turnover to FFr2.8bn.

Interest-rate sensitive stocks were in demand, as CCF rose FFr10 to FFr210 and Suez added FFr8 to FFr249. Suez was also supported by hopes of an early accord with UAP on the future of Victoire and Colonia.

Euro Disney failed to participate in the firmer trend, losing FFr1.30 or 2 per cent to FFr62.70 on reports of a downgrade from a US broker. Mr Richard Simon, analyst at Goldman Sachs in New York, later said he expected the theme park to make a pre-tax loss of FFr750m in fiscal 1993, compared with his previous forecast of a loss of FFr250m.

MILAN fell further and volume dried up as investors retreated to the sidelines to wait for further developments on privatisation. Currency concerns also weighed on the market as the lira eased against the mark. The Comit index fell 4.34 to 438.34 in turnover estimated at L145bn after L170.4bn.

Some financial stocks bucked the trend, as Credito Italiano rose L13 to L2,683 while Fondiaria gained L1,350 or 4.7 per cent to L29,950 on continued speculation about its future.

Declines hit industrial blue chips, as Fiat fell L173 or 4 per cent to L4,187 and Olivetti slid L54 or 2.7 per cent to L1,925.

The speculative fizz evaporated in the food group, Sme, down L66 to L5,579 and the retailer, Rinascente, L120 lower at L6,780. Ciga, the hotel group, fell L52 or 4.2 per cent to L1,188 following an unfavourable report in a UK Sunday newspaper.

AMSTERDAM welcomed the news of a proposed merger between KNP, Bührmann-Tetterode and VRG-Groep which will create Europe's second largest paper group, although details of terms were sketchy. An analysts meeting was under way as the market closed. The CBS General Tendency index finished up 0.5 at 103.7 with KNP Fl 1.60 better at Fl 28.90, Bührmann -Tetterode up 70 cents at Fl 29.20 and VRG Group rising 30 cents to Fl 23.20.

Ahold, up Fl 2.60 at Fl 83.60, pleased the market with a 6 per cent increase in third-quarter earnings although a weaker dollar depressed growth. Some 50 per cent of the group's sales come from its US supermarket division.

ZURICH was encouraged by the firmer dollar although sentiment remained cautious ahead of Sunday's referendum on whether to join the EEA. The SMI index gained 16.6 to 1,931.2.

Industrials and insurers led the rally with Roche certificates adding SFr30 to SFr3,900 and BBC Brown Boveri bearers up SFr80 to SFr3,430. Among insurers, Zurich registered shares put on SFr60 to SFr1,800 and Swiss Re bearers improved SFr70 to SFr2,350.

STOCKHOLM extended last week's gains, aided by the stronger dollar. The Affärsvärlden general index put on 16.2 to 901.4 in turnover of SKr922m.

Ericsson B shares featured with a rise of SKr2 to SKr179 while Astra B shares advanced SKr12 to SKr724.

OSLO rose after the central bank cut its overnight lending rate to 17 per cent from 25 per cent. The all-share index rose 5.20 to 358.94 in turnover of NKr214m.

MADRID drifted lower in the absence of fresh news, and the general index closed 1.43 down at 213.86.

ISTANBUL eased on profit-taking following strong rises last week. The 75-share index lost 56.82 at 3,786.24 in turnover of TL227.5bn.

FT-SE Actuaries Share Indices

November 30							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1051.62	1053.95	1055.57	1056.39	1056.97	1058.22	1058.49	1057.75
FT-SE Eurotrack 200	1125.16	1127.12	1127.99	1128.77	1130.75	1131.88	1130.71	1132.14
	Nov 27	Nov 26	Nov 25	Nov 24	Nov 23			
FT-SE Eurotrack 100	1049.92	1048.05	1042.55	1038.83	1038.38			
FT-SE Eurotrack 200	1122.37	1118.56	1111.41	1110.69	1110.18			

Base value 1000 (26/10/90) High/day: 100 - 1059.04; 200 - 1133.29 Low/day: 100 - 1051.30 200 - 1124.34

ASIA PACIFIC

Nikkei closes at day's high but volume stays low

Tokyo

A RALLY in steel and shipbuilding shares, spurred by foreign investors, was one of the day's main features as the Nikkei average closed higher, *writes Emiko Terazono in Tokyo.*

The 225-issue index closed up 213.04 at 17,683.65, the highest point of the day. The index fell to the day's low of 17,457.57 in the morning on small-lot profit-taking. Volume fell to 230m shares from 247m. Advances led declines by 777 to 202 with 145 issues remaining unchanged. The Topix index of all first section stocks gained for the eighth consecutive day, rising 15.81 to 1,323.35 and in London, the ISE/Nikkei 50 index rose 0.61 to 1,071.27.

Some traders believe that the technical resistance level of 17,700 could be broken. Ms Kathy Matsui, strategist at Barclays de Zoete Wedd, said the Nikkei could rise to 18,000 in the near term. "Public fund managers will want to increase their equities profile for future government fund allocation," she said.

However, with the Nikkei at 53 times earnings and prospects of an early corporate profits recovery uncertain, other investors are reluctant to commit large funds to the market. Some dealers said a bulk of corporations want to liquidate tokkin, or specified money trusts, at the 18,000 level.

Steel makers and shipbuilders were bought by leading foreign brokers. Nippon Steel rose Y8 to Y291, NKK Y7 to Y256, and Mitsubishi Heavy Industries advanced Y15 to Y553.

High-technology exporters were higher, with NEC up Y24 to Y895 and Toshiba gaining Y2 to Y622. Mr Chris Newton at James Capel said the easing of the yen and an expected recovery of the US economy supported electronics issues which have been previously sold on profit concerns.

Housing issues were higher on the 10.3 per cent rise in housing starts for October. Misawa Homes rose Y40 to Y1,120 and Daiwa House Industry advanced Y10 to Y1,430.

Dealers were active in speculative theme stocks. Mitsui Mining and Smelting, the most active issue of the day, rose Y9 to Y508. The issue, which had surged recently on reports of a gold vein discovery, firmed yesterday on rumours that the company would announce the latest research data on the veins.

In Osaka, the OSE average gained 172.46 to 18,961.05 in volume of 26.5m shares. The index posted its eighth straight rise on buying by public funds. Machinery and construction stocks gained while pharmaceuticals stalled. Nintendo, the video game maker, lost Y100 to Y10,500 on profit-taking.

Roundup

MARKETS in the Pacific Rim were mixed to lower. Manila was closed for a public holiday.

HONG KONG fell nearly 3 per cent as China's row with Britain about democracy in Hong Kong took a turn for the worse at the weekend. The Hang Seng index ended 176.04 lower at 5,810.63 in low turnover of HK$2.25bn.

Among the most actives, HSBC Holdings was down HK$1.50 at HK$58.50, Hang Seng Bank HK$1.50 lower at HK$53.50 and Swire Pacific HK$1.25 cents lower at HK$31.00.

AUSTRALIA lost early gains following the publication of a disastrous current account deficit for October of A$2.04bn, compared with A$1.74bn in September. The All Ordinaries index closed 2.7 lower at 1,448.1 in turnover of A$188.2m.

NEW ZEALAND ended steady, with falls in some leading stocks masking a strong rise in Fletcher Challenge and Telecom. The NZSE-40 capital index gained 1.90 to 1,547.37 in turnover worth NZ$28m.

FCL, which began firming last week in anticipation of the sale of its unit, Rural Bank, ended 11 cents higher at NZ$2.22 after the sale was confirmed late on Friday.

SINGAPORE posted strong gains as foreign investors' view of Singapore improved after healthy trade indicators. The Straits Times Industrial index rose 21.11 to 1,469.07 in volume of 132.9m shares against 177m.

Shipyards and banks were the main gainers. Sembawang Shipyard rose 45 cents to S$8.25 and DBS Foreign 40 cents to S$13.80.

SEOUL rose on expectations of an interest rate cut and a more flexible monetary policy. The composite index added 10.42 to 663.36.

Posco and Dong-Ah Construction Industrial gained sharply on news that the two companies had been approached to take part in building a motorway between Beijing and Hong Kong. Both shares ended limit-up, with Posco gaining Won1,000 to Won26,100 and Dong-Ah Construction up Won800 to Won19,100.

KUALA LUMPUR fell back on renewed selling in the afternoon. The composite index ended just 1.41 up at 641.89 in volume of 164.4m shares against 255.4m on Friday.

Magnum fell 40 cents to M$9.90 while Multi-Purpose Holdings and MISC foreign lost 15 cents each to M$2.49 and M$7.10 respectively.

BANGKOK's SET index lost 4.28 to 865.21 on profit-taking.

Currencies influence European trade

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1992	Start of 1992	Start of 1992
Austria	-2.09	-3.22	-18.96	-12.62	+2.32	-17.34
Belgium	-1.17	-0.11	+0.17	-1.76	+14.98	-7.11
Denmark	-1.26	-4.98	-26.90	-26.01	-12.38	-29.22
Finland	+6.58	+10.27	+6.73	+11.95	+11.48	-9.93
France	+1.49	+0.52	-0.06	-0.73	+17.42	-5.14
Germany	-1.32	+1.49	-7.93	-6.42	+9.86	-11.17
Ireland	+4.59	+3.37	-15.95	-16.58	-3.14	-21.76
Italy	-3.50	+0.05	-10.93	-9.29	-7.52	-25.28
Netherlands	+0.29	+1.14	+2.86	+3.17	+21.45	-1.89
Norway	-0.52	-1.66	-17.41	-16.04	-5.13	-23.36
Spain	+2.04	+10.79	-10.20	-10.94	-7.66	-25.40
Sweden	+4.62	+24.07	+13.77	+12.38	+13.26	-8.50
Switzerland	+0.89	-0.52	+11.67	+11.23	+29.52	+4.62
UK	+0.93	+3.92	+11.63	+10.68	+10.68	-10.59
EUROPE	+0.50	+2.98	+2.83	+2.60	+11.11	-10.24
Australia	+3.22	+1.76	-12.75	-14.72	-4.23	-22.63
Hong Kong	+3.39	-4.26	+40.75	+37.17	+70.72	+37.92
Japan	+2.37	+2.71	-24.20	-22.73	-3.88	-22.35
Malaysia	-0.38	+2.76	+23.57	+19.46	+58.94	+28.40
New Zealand	+8.84	+17.18	-3.82	-3.96	+13.38	-8.39
Singapore	+4.76	-6.53	-4.06	-6.86	+14.10	-7.83
Canada	+0.45	-1.31	-6.64	-8.03	+2.58	-17.13
USA	+0.81	+2.87	+14.77	+3.53	+28.15	+3.53
Mexico	-3.24	+8.94	+22.88	+16.38	+40.69	+13.66
South Africa	+3.58	+3.93	-16.11	-12.45	-28.65	-42.36
WORLD INDEX	+1.24	+2.72	-1.79	-5.05	+13.02	-8.70

† Based on November 27th 1992. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities

By John Pitt

Continued turbulence in European currency markets was again the main trading influence on bourses last week, while good economic news from the US and a strong performance from Japan lifted sentiment elsewhere. The FT-A World index rose 1.2 per cent in local currency terms.

Finland stood out with a positive improvement in very high turnover: by midweek some FM100m ($19.8m) of business was transacted, approaching five times the average daily level. Mr Peter Lawrence of Kleinwort Benson says that the Finnish market reacted negatively to the devaluation of the Swedish krona, which fanned fears that it would harm Finnish industry. However, the fact that the local currency fell in line with that of its neighbour effectively erased worries about a loss in competitiveness.

The lifting of a threatened nationwide strike also had a positive effect on the market, Mr Lawrence adds. Gains were seen across the board, and international conglomerates were also heavily bought.

Ireland attracted interest on expectations that it will be forced to devalue. Mr Robby Kelleher of the brokers Davy's notes that the market was mimicking the situation in the UK when the FTSE showed solid gains in the days leading up to sterling's withdrawal from the ERM. However, Ireland has consistently underperformed other European markets this year and in spite of the rally of the last 10 days the index remains 13 per cent down year-on-year.

Elsewhere, New Zealand showed a near 9 per cent gain on the week in local currency terms. Ms Pauline McAtamney of Ord Minnett in London says that progress in the Gatt trade talks the previous weekend provided a positive background. Strong interim results from NZ Telecom and Carter Holt Harvey, a management reshuffle at Brierley and a major asset sale by Fletcher Challenge provided the main corporate news.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co and County NatWest Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY NOVEMBER 27 1992 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield
Australia (68)	116.71	+0.4	114.47	91.73	96.96	112.59	+0.1	4.31
Austria (19)	137.66	-0.7	135.02	108.21	114.37	114.65	-0.1	2.46
Belgium (42)	134.08	-0.9	131.51	105.38	111.38	109.28	-0.3	5.64
Canada (113)	112.95	-0.1	110.79	88.78	93.84	104.98	-0.0	2.93
Denmark (34)	189.10	+1.0	185.48	148.64	157.10	158.82	+0.7	1.72
Finland (15)	70.27	-1.7	68.92	55.24	58.38	75.80	-0.6	1.86
France (99)	142.71	+0.2	139.98	112.17	118.55	121.33	+0.4	3.72
Germany (64)	104.23	+0.0	102.23	81.94	86.59	86.59	+0.0	2.62
Hong Kong (53)	243.23	-1.1	238.58	191.19	202.08	241.61	+1.1	3.72
Ireland (16)	131.30	-2.4	128.79	103.21	109.08	112.88	-2.0	4.88
Italy (77)	56.33	-0.7	55.25	44.27	46.78	58.66	-0.1	3.54
Japan (472)	105.47	+0.2	103.45	82.90	87.64	82.90	+0.3	1.02
Malaysia (69)	275.01	+0.0	269.75	216.16	228.47	268.18	+0.2	2.47
Mexico (18)	1581.18	+0.7	1550.91	1242.84	1313.62	5383.33	+0.6	1.11
Netherland (25)	149.80	-0.2	146.93	117.75	124.45	122.86	+0.0	4.63
New Zealand (13)	43.01	+1.7	42.21	33.83	35.76	44.34	+1.7	5.64
Norway (22)	137.02	-2.0	134.40	107.70	113.84	121.53	-1.3	1.99
Singapore (38)	202.49	+1.6	198.62	159.17	168.23	152.75	+1.9	2.16
South Africa (60)	143.47	+5.1	140.73	112.77	119.19	151.46	+3.6	3.79
Spain (48)	116.68	+0.0	114.45	91.73	96.94	102.05	+0.4	5.69
Sweden (31)	165.74	+1.8	162.57	130.28	137.70	167.03	+1.8	2.35
Switzerland (60)	105.01	+0.8	103.01	82.55	87.26	92.78	+1.1	2.26
United Kingdom (227)	165.71	+0.0	162.54	130.24	137.66	162.54	+0.7	4.52
USA (522)	175.98	+0.2	172.52	138.26	146.13	175.88	+0.2	2.89
Europe (779)	132.56	+0.0	130.03	104.20	110.14	120.51	+0.5	3.90
Nordic (102)	148.04	+1.2	146.19	117.15	123.82	135.29	+1.2	2.15
Pacific Basin (713)	110.35	+0.2	108.24	86.74	91.68	88.52	+0.4	1.37
Euro-Pacific (1492)	119.34	+0.2	117.06	93.80	99.14	101.42	+0.4	2.51
North America (635)	171.98	+0.2	168.69	135.20	142.91	171.07	+0.2	2.91
Europe Ex. UK (552)	112.61	+0.1	110.46	88.54	93.58	97.75	+0.4	3.45
Pacific Ex. Japan (241)	158.29	+0.8	155.26	124.44	131.52	149.72	+0.7	3.65
World Ex. US (1683)	120.28	+0.2	117.99	94.56	99.94	103.57	+0.4	2.59
World Ex. UK (1978)	135.46	+0.3	132.87	106.49	112.55	122.00	+0.3	2.47
World Ex. So. Af. (2145)	138.16	+0.2	135.53	108.62	114.81	125.32	+0.3	2.68
World Ex. Japan (1733)	156.63	+0.3	153.63	123.13	130.15	150.42	+0.4	3.26
The World Index (2205)	138.10	+0.2	135.46	108.55	114.74	125.60	+0.4	2.68

	THURSDAY NOVEMBER 26 1992 US Dollar Index	[illegible]	[illegible]	[illegible]	[illegible]	DOLLAR INDEX [illegible]	[illegible]	[illegible]
Australia (68)	116.22	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria (19)	138.60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium (42)	135.33	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada (113)	113.02	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark (34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland (15)	71.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France (99)	142.41	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany (64)	104.25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hong Kong (53)	240.55	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland (16)	134.54	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy (77)	56.75	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan (472)	105.29	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Malaysia (69)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mexico (18)	1569.47	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherland (25)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Singapore (38)	199.32	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
South Africa (60)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain (48)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden (31)	162.84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland (60)	104.15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
United Kingdom (227)	165.74	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
USA (522)	175.48	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Europe (779)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nordic (102)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Basin (713)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Euro-Pacific (1492)	119.15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
North America (635)	171.59	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Europe Ex. UK (552)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Ex. Japan (241)	157.07	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. US (1683)	120.02	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. UK (1978)	135.11	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. So. Af. (2145)	137.91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. Japan (1733)	156.22	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
The World Index (2205)	137.78	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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